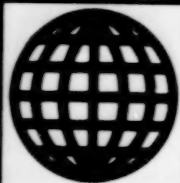


JPRS-UEA-88-013
28 APRIL 1988



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Economic Affairs

JPRS-UEA-88-013

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ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

Importance of Central Plan, Limits on State Orders Stressed

18200067a Moscow NEDELYA in Russian No 3,
18-24 Jan 88 p 6

[Article by Professor Vyacheslav Konstantinovich Senchagov, doctor of economic sciences]

[Text] And so it has happened—the Law on the State Enterprise (Association) has gone into effect. A historic event for our economy has occurred. Tens of millions of people—as we know, the reform has already encompassed enterprises that produce 60 percent of all of our products—have entered the zone of the “field of forces” of the new law. And it, this field, covers not only outside of us, but also inside of us, in citing that acute sense of duty and responsibility for our work without which, as everyone understands, it is impossible to continue working, and which actually the moral foundation of the economy.

I hope that those who have already begun to work in the “system of the four ‘S’s’—independence, self-support, self-financing and self-management—have already experienced this feeling, although, as they say, variants are also possible. But in one way or another, of course, it is clearer to them than it is to others that the law will not be effective in and of itself, automatically, and it cannot be, and that the rights granted to the enterprises are rights to economic and social creativity and this means that they are only a possibility which still has to be transformed into real actions. And each enterprise will have to find its own concrete forms of management that are peculiar to it that reveal human capabilities most fully. And while previously it was possible to live on state subsidies while the interests of the labor collectives did not suffer at all (although our entire economy and the majority of us individually did suffer), today, now that the law has gone into effect, the conditions for the life of the enterprise and the internal impulse for its self-development are dictated by cost accounting. And only by this.

Unfortunately, for a long time our theoretical thought and practice took a very simplistic approach to such an important lever of the economy as cost accounting. In essence it was deprived of the basic features introduced by V. I. Lenin during the NEP period. Cost accounting lost its essence and ended up seeming to be somehow on the sidelines of commodity and monetary relations. Therefore it was possible to voluntaristically design an immense number of partial and not very effective “incentives” and levers that were in no way linked to the main criteria for the effectiveness of economic activity.

Now the party has returned to Lenin's position in the understanding of cost accounting and has set the task: to bring the economy fully in line with its requirements.

What meaning do we invest in the concept of cost accounting today?

In a couple of words it can be formulated as follows: manage efficiently. Consider your expenditures and incomes. Live within your means remembering that nobody will do your work for you if you do not wish to do it yourself. And remember that if you work poorly cost accounting envisions as an extreme but very realistic measure the possibility of curtailing the activity of an enterprise that is operating at a loss that has accumulated a large debt to the state and to its partners. In other words, it will face bankruptcy (a little word that we are not used to, it is not “ours,” but it reflects the essence of the matter precisely), and there will be no peaceful life at state expense.

But in an extremely complicated economic organism, where everything must be intercoordinated and where a change in the function of one organ inevitably entails a responsive reaction from another, such a serious economic matter as cost accounting must inevitably cause a “chain reaction” of restructuring of the other units of the economic mechanism. Thus, for example, it has become clear that the system of complete cost accounting and self-financing will reliably stimulate effectiveness of production only if the enterprise begins to utilize bank credit extensively. Therefore a conclusion was drawn: it is necessary to organize banking in such a way that production can obtain the necessary amount of money from the bank efficiently, without numerous permissions and, finally, it must be able to repay the credit promptly. A new system of banks has been created. Specialized banks—Promstroybank, Agroprombank, Zhilsotsbank, and the savings bank—have become the partners of the enterprises and they themselves will try to increase their contributions to their economies and not avoid requests as was previously the case.

Of course self-financing should not take the easiest path whereby profit is “extorted” by increasing production costs and prices. Unfortunately, such a practice of earning money is already being applied today. It is necessary to put a stop to this once and for all. Of course, with the help of economic normatives whose effect motivates labor collectives to manage better.

The main source of self-financing of enterprises will be cost-accounting income that is honestly earned by the collective. According to our calculations, the volume of it in the national economy will be more than 300 billion rubles (not very much!) and it must be utilized in a really efficient way.

But the expansion of the independence of the enterprises will not produce the desired results until one other most important condition of the modern management mechanism is met: to interact efficiently with centralized management of the country's economy. And this must be clearly explained in order not to fall into the illusion of

the free market economy. The experience in the development of socialist (and also capitalist and developing) countries has shown: centralized regulation of the economy is an indispensable feature of modern management methods.

Why is such centralization needed? Because the enterprise does not exist in a vacuum. It is linked by thousands of threads to its partners and to state management agencies, and it is a part of a unified national economic complex. The entire question is how under modern conditions, on the one hand, to observe the independence of the enterprise and not violate its competence and, on the other, to direct its activity toward solving problems that are common to the national economy.

What was previously the case? More than 100 indicators were established centrally for the enterprise. And each department, having its own sphere of interests, established its own indicators through the branch ministry. In many cases they were not coordinated with one another. And even the Gosplan was not able to provide in the best way for the necessary coordination of indicators (especially physical-substantial and value indicators). One can understand the torments experienced by production because of the lack of coordination of the interests of management agencies. Now centralized management is based on economic methods and will be carried out with the help of such instruments as control figures, state orders, long-term economic normatives, and limits.

But are not these "instruments" simply covering up old planning methods? After all, even today one can give as many examples as one wishes to of how ministries place economic blinders on the enterprises under their jurisdiction, pursuing only their own narrow, purely "staff" advantages.

The largest number of complaints are caused by state orders with which the enterprises are clearly overloaded.

But the state order should not be all-encompassing and it cannot include all products of the enterprise. The enterprise should retain control of some of its capacities for the necessary economic maneuvering. Only then will it be placed in conditions which will force it to study the market and strive to satisfy consumer demand. Only then will the economic "breakthrough" so long awaited by all of us finally embrace all enterprises and we will become witnesses to the struggle for the consumer and for new technologies—the main means of achieving this goal. And when such "motives" guide many labor collectives, economic competition will inevitably develop among them. Monopolies and the dictatorship of the producer will be crowded out. And the consumers will gain the advantage. That is, all of us.

Analysis shows that gradually, as the stimulating functions of the commodity-monetary categories develop, the sphere of state orders will become narrower and the

proportion of direct contractual relations between producers and consumers will increase. In the remaining 3 years of the five-year plan the state order will be close to the directive physical indicators although it will be consolidated, which certainly does not mean that we will not have to do an immense amount of work here as well—mainly in determining the composition of the state orders. One can see that movement in this direction has already begun from the intentions of the USSR Gosplan: for 1988 to include in the state order 1,500 listed items or less than the 1987 plan by a factor of 3-4. True, although the Gosplan "unburdened" itself of surplus listed items, the ministries are taken up with administration as before, loading the enterprises with state orders.

It has already become clear that it is necessary to work out a mechanism for interrelations between those who issue the state order and those who carry it out. These relations should be economically fixed. There should be mutual responsibility of the sides and it is necessary to develop incentives for fulfillment of state orders, tax and credit benefits, the provision of raw material, and so forth. There is a critical need to develop provisions concerning the state order so that this new economic category will be reinforced with legal norms.

Long-term economic normatives are assuming primary significance. Their function is to monitor the most important proportions between the dynamics of the growth of the production of products, wages, and incomes of the budget and the enterprise. Unfortunately, we do not yet have a reliable, scientifically substantiated approach to determining long-term economic normatives. And yet it is precisely here that the old and new mechanisms cross swords or, as literary economists say, here is the dispute between the "horsemen" and the "merchants." If the normatives are substantiated and reflect objective laws of socialism there will also be a basis for strengthening both collective and personal interest. If there are no such normatives or they are purely calculated this means there can be no discussion of strengthening economic incentives.

Perhaps the most difficult of all the problems in restructuring the system of management of the economy, to which we must find a solution, is the restructuring of the system of material supply for the enterprises. Large changes have also been started here. A basis has been laid for wholesale trade which during the course of 4-5 years is to be transformed into the basic form of supply of enterprises with material resources. In essence, in the sphere of production there will be a changeover from their distribution "from above" to commodity-monetary forms of sales with the active utilization of the price mechanism (including those established by the agreement between the producer and the consumer). This will give flexibility to the economy and make it possible to utilize production resources more effectively and concentrate them mainly in those enterprises that are operating best.

There is an "immense distance" between the theoretical model of the new economic mechanism and its practical implementation. There will be many obstacles and painstaking organizational work will be necessary. The main difficulty is that the changeover from the old to the new economic mechanism is in full swing under the conditions of the fulfillment of the five-year plan. And extensive factors in the development of the economy have been basically exhausted while intensive ones do not yet fully compensate for their influence on the growth rates of the national income.

It has become clear that many difficulties in the restructuring of the economic mechanism are linked to the existing stereotype of thinking and the slow retraining of personnel, their weakness and low level of economic literacy, and their loss of such qualities as initiative and enterprisingness.

Of course, although all this holds back the restructuring it cannot stop it. The work that is being done for changing over to the new economic mechanism is immense in its scope and the depth of its transformations. In 1989 17 more ministries will be changed over to operating in the new way, and by 1990 enterprises of all branches of the industrial sphere will be operating in this way.

We have already noted that in the system of cost accounting relations the main load is borne by long-term economic normatives. Unfortunately, we have not yet managed to provide for unity of normatives and their amount depends strongly on the proportions of incomes and expenditures (mainly for capital investments in the five-year plan). In order to alleviate the negative influence of the immense differentiation of the normative of deductions from profit into the state budget, an important decision has been made: for those enterprises that achieve an increase in profit in excess of the assignments of the five-year plan, to establish the same normative of deductions: 70 percent of that part of the profit will be left at the disposal of the enterprises and 30 percent will go to the state. Work has now begun for preparing economic normatives as a constituent part of the 13th Five-Year Plan. A qualitatively different approach will be taken. These normatives will be a most important instrument for developing the plan and balancing physical and value proportions. Methods of calculating the tax on the calculated profit (minus payments for resources) are being developed.

Work for preparing for the reform of wholesale, procurement, and retail prices has been extensively developed. The first two kinds of prices will be revised together. Thus a new "living environment" is being formed for the

enterprise as well as new methods for its interaction with the system of the higher level of management—state planning, finances and credit, and material supply.

The "clearing" of the legal basis for the functioning of enterprises under the new conditions has already been completed. The work for bringing all normative acts published by central economic agencies in line with the law is practically finished. Dozens of legal documents for planning, financing, granting credit, and material and technical supply have been developed anew.

In general everything possible is being done so that the new law will go into effect and operate so that even from the first days it will not come up against the obstacles of a "centralized" economy. Of course not everything can be taken into account or anticipated—it is a new business and there are no analogues. If necessary we shall make adjustments during the course of things and improve the new management mechanism. But there is no doubt that its blueprint, the main design and the principles of operation have been sketched correctly. The main thing today is to surmount the condition of mistrust and the possibility of working in the new way, not to obscure the principles of the new economic mechanism, not to deviate, and to proceed further in the chosen direction, while on the way discarding parts and components of the old economic mechanism that has outlived its day.

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Greater Reliance on Buyer Demand, Fewer State Orders Urged

*Moscow EKONOMICHESKAYA GAZETA in Russian
No 6 Feb 88 p 5*

[Article by E. Figurnov, doctor of economic sciences:
"The One Who Pays is the One Who Orders"]

[Text] The consumer's demands... The Law of the USSR on the State Enterprise (Association) states that their full and timely satisfaction is the highest sense and norm governing the activity of every work collective. The June (1987) Plenum of the CPSU Central Committee emphasized: "...the enterprise itself compiles the production and sales plan. It must be based not on a multitude of detailed plan targets dictated by certain higher bodies but rather on the explicit orders of state organizations, cost accounting enterprises, and trade organizations for specific products in a certain number and of a certain quality. The state order serves as the guarantee that the country's interests will be observed, must offer favorable economic conditions, and must make provision for the mutual responsibility of the parties. It should as a rule be placed on a competitive basis.

Such is the ideology of economic management reform designed to reorient production toward the satisfaction of society's needs. How is it being implemented?

Management by orders and decrees under the flag of the state order

First a few figures. Only 2.8 percent of the total output of enterprises in the fuel-energy complex this year is based on direct orders from customers. In the wood chemistry complex, this indicator is 6.4 percent; in the metallurgical complex—7.9; in the machine building complex—8.4 percent. There are enterprises and even branches in which there is no place whatsoever for customer orders. Everything is based on orders from various state bodies.

The explanation for this situation is that the technology for issuing a state order for the delivery of products in actual practice is far from the demands advanced by the June (1987) Plenum of the CPSU Central Committee. First, the state order was issued not for a specific product but for products in consolidated groups (a total of 600 groups for orders issued by USSR Gosplan). And even though ministries deconsolidated these groups in the course of conveying the order to enterprises, nevertheless the result was not an order for a specific item but rather an assignment to produce a certain volume of products belonging to a certain aggregate.

Second, the order was as a rule issued not for the delivery of the products but for the entire 100 percent of their production. Therefore, it also included such features as the fabrication of equipment and materials for own needs and the procurement of firewood for heating which evoked the astonishment and righteous indignation of enterprise staffs. In such a system for issuing state orders, the customer has no possibility of specifying what he needs. State agencies decide everything for him.

Third, the client never bears any kind of economic responsibility to the performer even though the latter operates on a full cost accounting and self-financing basis. For example, the Sverdlovsk "Turbomotornyy zavod" Production Association received a state order for the production of 26 gas-refining units even though there are customers for only two of them. Uralsmashzavod received a state order for a sintering machine costing 4.3 million rubles which, as it turns out, the prospective customer does not need. Such cases are numerous and reprimands to the guilty parties do not by any means compensate enterprises for damages resulting from filling such state orders. Economic responsibility here can be secured in only one way—by the obligation of the body issuing the order to purchase the product with its own money. Neither Gosplan nor ministries have such money at present and hence the problem of real economic and not purely symbolic, administrative responsibility is unsolvable under the existing procedure for issuing state orders.

Fourth, preferential, priority terms for state orders are not provided. The discussion of preferential terms of state orders will be pointless as long as it embraces the majority of the output volume. What is more, the state order under existing conditions is the least profitable to

enterprises because the price of the product is strictly defined but the customer is unknown. Direct orders from the customer are more advantageous. In such a case, the buyer, who must answer for everything with his own money, is known from the very beginning and the possibilities of contract prices are broader.

The fifth and final point is that as a result of the lack of a real market for means of production and the absence of economic competition between producers for customers in the country and because the state order embraces practically all output, the idea of competitiveness has also remained unrealized. In the formulation of the state order for 1989, it was planned to curtail its mix compared with 1988, especially in the manufacturing industry. The plan was to issue a state order as a rule only for the volume of products to be delivered outside ministries and departments of the USSR and union republics. While these measures will slightly reduce its share in the volume of production, it nevertheless will remain an administrative target for the delivery of products similar to product mix targets established prior to the reform. It must be clearly understood that in this case the demands of the June (1987) Plenum of the CPSU Central Committee on the content and role of the state order are not being realized.

The basis of the plan—customer requisitions

What must be done in order to eliminate *administrativanie* [management by decrees and orders] in planning which is presently carried out under the flag of the state order and to orient the economy toward the customer? It is first of all necessary to precisely realize two interconnected reform principles. First—Gosplan, Gossnab and the ministries must secure proportionality between the demand for a product and the capacities for producing it. They must forecast and shape demand for material resources that expresses real, effective demand, compare it with available capacities, and determine the possibility of expanding them on the basis of the producing enterprises' fund for the development of production and science and technology. The shortage of capacities can be eliminated through centralized capital investments, through imports, by restricting consumption through price modifications, etc. One of the most important tasks of national economic planning under the new conditions is to decide which new enterprises or shops are necessary, where and when they should begin operation, to allocate capital investments for this purpose, to issue state orders for commissioning the corresponding facilities so that proportionality would be secured in the economy in 3, 5, or 10 years.

Second—direct orders from customers and trade must become the basis for formulating production plans and for their implementation by producers. Neither Gosplan nor any other state body can know better than the customer himself what he needs, the quantity and quality he needs, and when he will need it. And if there is proportionality between demand and capacities, the

enterprises themselves are perfectly able to negotiate deliveries with one another. Operating on a full cost accounting and self-financing basis, they are equally interested in one another. What is more, the customer's order will always be more substantiated than the order from a state body since the customer is answerable for it with his own earnings. **State bodies that do not have their own money must be empowered to order from producers only those products that can be acquired not on the basis of the cost accounting resources of enterprises but on the basis of state budget funding.** The state order must be issued strictly within the limits of budget allocations for new construction, basic research, defense, and social measures. In general, in order to realize economic methods of management, it is necessary to follow the well-known axiom: the one who pays is the one who orders.

This is why, it seems to us, in drafting next year's plan there will be no need to incorporate in the state order those types and that volume of products for which customers will invariably issue their own direct orders and products the production of which is profitable to the enterprise. This applies, for example, to all output of single-product enterprises (coal-, oil-, gas-, ore-extracting enterprises, etc.). Cost accounting and self-financing by themselves motivate [enterprises] to satisfy the needs of specific customers, to make maximum use of capacities and to increase capacities. If the state order is less than or equal to real demand, it is simply not needed. If it is greater than production capacities permit (taking into account their potential expansion), it will be deliberately violated and such a state order will only be detrimental to society. The present practice of issuing state orders shows that the staffs of state bodies do not believe that the new conditions of economic management will compel enterprises to strive for the more complete satisfaction of the customers or to make maximum use of production capacities.

Should that which is profitable also be imposed?

Advocates of administrative methods of management try to defend their position on the premise that if the enterprise is not given a state order, it will immediately curtail the volume of its production. The objection that the collective's pay will also be reduced in such a case is countered with the argument that the decisive factor is not the collective but the administration. Managers' earnings depend on the fulfillment of contractual obligations and are not affected by use of capacities, to say nothing of increases in the size of capacities. Advocates of *administrirovanie* believe that the reduction of production volume will make the managers' life easier and that it will be simpler to fulfill contracts. They therefore contend that nothing, with the exception of administrative and party pressure on managers, can ensure the acceleration of economic development.

But after all, the Marxist principle that non-economic coercion (the stick, the order, etc.) in all modes of production is less effective than economic methods of

management is also true today. This is demonstrated with new vigor by the behavior of work collectives at our enterprises under the conditions of the radical restructuring of economic management. For example, the Ust-Kamenogorsk Housebuilding Combine accepted 32 million rubles' worth of orders for 1988 whereas the republic construction ministry assigned it a work volume of only 19.6 million rubles.

The fastest possible development of self-management in production is intended to remedy a situation in which the most important questions in the enterprise plan are decided not by the collective but by the old-type administration which thinks only of how to obtain a lower production target and how to fend off orders. It is obviously also necessary to connect the pay of enterprise managers to the utilization and growth of capacities.

There does not appear to be any need to substitute state orders for direct orders for those products of multi-product enterprises that are most profitable to the producers. Even without state orders, the latter will produce them in accordance with the direct orders of customers.

The real problem of compelling producers to produce exists only in the case of products and services of multi-product enterprises when the products or services are unprofitable or disadvantageous to the enterprise. There are two ways of solving the problem: eliminating the factors that make their production unprofitable or disadvantageous or administratively obligating the enterprise to produce these products by giving it a state order.

Only the first avenue provides a cardinal solution to the problem. The question of what is unprofitable and disadvantageous to produce should be examined within the framework of programs for the financial normalization of branches. If a product is unprofitable because the price of the product does not correspond to socially necessary costs, only price reform can eliminate this contradiction. Before the price reform is carried out, it will be necessary to preserve state orders for the unprofitable products of multi-product enterprises. Here they will perform the function of administrative coercion. Only the normalization of pricing of products that are unprofitable from a cost accounting point of view, the development of the specialization of production in the course of economic competition and, in certain cases, assistance of a higher-echelon body in modernizing machinery and technology will make it possible to abandon *administrirovanie*.

It is frequently proposed to assign enterprises ceilings on all types of material resources that are necessary to fill state orders. The contention is that this will make the state order more advantageous and will create the most important material condition to its fulfillment. If we follow this road, all material-technical support for enterprises will have to be subject to ceilings since the production of limited material resources will require

other types of resources on the production of which it will also be necessary to establish ceilings in turn. It would seem that the more correct approach has been chosen in the adopted normative documents. It provides that the supplying of state orders with the material resources that are sold in wholesale trade will be carried out by enterprises independently on the basis of direct orders to manufacturers or supply organizations.

State Standards Official on Needed Improvements in Quality Program

18200070a Moscow *PLANOVOYE KHOZYAYSTVO* in Russian No 12, Dec 87 pp 28-33

[Article by I. Isayev, deputy chairman of the USSR Gosstandart: "The 'Quality' Program: Experience, Problems, Solutions"]

[Text] Improvement of the mechanism for planning product quality is very important in the system of measures for radically improving technical and economic indicators. The mastery of the production of highly productive, reliable and durable technical equipment of the latest generations, good-quality consumer goods, and principally new technologies that are capable of producing high national economic effectiveness should become, as was pointed out in the decree of the CPSU Central Committee and the USSR Council of Ministers, "On Measures for Radically Improving Product Quality," a central part of the development and implementation of long-term, five-year and annual plans.

In keeping with the decree target scientific and technical programs were developed for improving the quality and reliability of products during the 12th Five-Year Plan and the period up to the year 2000. Encompassing the entire list of items and the basic factors that affect quality, they orient labor collectives toward the mastery of the production of modern design developments, technological processes and the latest materials, extensive introduction of scientific and technical achievements, and the improvement of the most important kinds of products to the level of the best world models.

In the formation of programs they envision:

prognostication of the technical level and quality of the most important kinds of products taking into account the requirements of scientific and technical progress that make them able to compete;

the development of fundamental and applied research on problems of quality and reliability;

the application of modern methods of calculation, construction, modeling and design solutions;

the development of special testing, diagnostic and control-measurement equipment for processing, producing and operating the product;

the development of a complex of normative and technical documentation that establishes intercoordinated indicators of output, raw materials, processed materials, batching items, technologies and organization of production, in other words, a program for comprehensive standardization (PKS).

Generalization of the accumulated experience enabled the USSR Gosstandart to create the necessary methodological basis for developing the "Quality" programs. These programs have been developed and implemented in a number of union ministries; the Ministry of Instrument Making, Control Systems and Automation Equipment, the Ministry of the Electrical Equipment Industry, the Ministry of the Machine Tool and Tool Building Industry, the Ministry of the Automotive Industry, the Ministry of Light Industry, the Food Industry of the USSR Gosagroprom, and others. On the basis of regional programs work for raising the technical level and improving product quality is being done by labor collectives of Moscow, Leningrad (within the framework of the territorial-branch program "Intensification-90"), Tula, Ulyanov, Kharkov and other oblasts of the RSFSR, the Ukraine, Belorussia, Latvia, Armenia, Kirghizia, Georgia and other regions.

The "Quality" programs include three sections. The first contains concrete assignments for raising the technical level and improving the quality of the most important products that determine technical progress and are in the profile for the branch or region and also consumer goods that are in increased demand. It establishes the basic quality indicators: reliability, productivity, cargo capacity, energy- and material-intensiveness, and so forth. As concerns the significance of the parameters of future models, they are determined taking into account the predictions of the development of the products and state standards for general technical requirements.

The second section gives the goals for quality improvement for the entire list of products that are produced in volume-value indicators: the proportion of products of the highest quality category, the volume of consumer goods with the index "N," and also export and other products. The third section includes measures that provide for carrying out assignments of the program: the introduction of new equipment, reconstruction of production, personnel training, development and revision of normative and technical documentation, and so forth.

An analysis of concrete programs makes it possible to reveal the positive and negative aspects on the most typical mistakes and unsolved problems that impede their effective realization and also to determine the goals for the end of the five-year plan. Thus the USSR Ministry of Instrument Making, Control Systems and Automation Equipment envisions bringing the proportion of series-produced items that meet the world level up to 95 percent, and for new developments—up to 100 percent, and the USSR Ministry of the Electrical Equipment

Industry—up to 70.8 percent, and for the most important kinds of items—up to 97-100 percent. The Moscow City "Quality" program is aimed at bringing up to the world level about 300 kinds of products from 98 associations and enterprises of 20 ministries in the capital. Leningrad residents have included in their program assignments for increasing the reliability, durability and ability to compete for more than 700 kinds of machine-building products. Moreover, the programs establish how much for removing outdated products from production, reducing their proportional material-, energy- and labor-intensiveness, raising the level of automation of planning and design work and technological preparation of production, and many other measures without which it is impossible to count on high final results today.

We shall discuss in somewhat greater detail the process of development of the "Quality" program of Belorussia. It was formed in the branch and territorial cross-section. Head branch organizations responsible for preparing branch subprograms were determined for the various ministries and departments of republic and union-republic jurisdiction and associations and enterprises of union ministries located on the territory of the republic. Moreover, the list of head organizations, like the question of the development of the program for various groups of enterprises of union jurisdiction was coordinated with the corresponding union ministries. This cooperation in the work on the program for the various branches and regions made it possible to coordinate the activity for improving quality, to concentrate efforts in the most important areas, and to utilize the material and technical resources and production reserves more efficiently.

The greatest effect in the creation and implementation of "quality" programs is achieved in places where the union ministries and departments in the stage of preparing the drafts of plans provide for coordination of assignments for the development of the branch in the territorial cross-section, consider them in conjunction with the councils of ministers of the union republics, and announce to them the control figures and basic indicators of the drafts and the approved plans of associations, enterprises and organizations under their jurisdiction. Similar coordination should take place between economic organizations and local agencies of authority.

The unity of the basic principles for the development of branch and regional "Quality" programs and the similarity of their structures make it possible, on the one hand, to break down the basic assignments of the programs of the higher level of management to the level of the association (enterprise) and, on the other hand, to combine the most important assignments of programs of associations in order to form programs of the branch or region. Thus the "Quality" programs become an effective instrument for implementing the principle of combining the branch and territorial approach to the problem of radically improving product quality.

In order to reach the world level for the most important kinds of products it is necessary to have a complex of intercoordinated measures which are implemented by many associated enterprises of various branches. Practice shows the expediency of the development of special target programs for each kind of product, which are organically included in the "Quality" program at the level of the region or the branch. An example can be the target comprehensive program for automotive equipment formulated by the KamAZ Association. In particular, it included assignments for reducing the proportional expenditure of fuel by 10-13 percent, the weight of the equipment—by 12-18 percent, the smoke content of the exhaust gases—by 10-15 percent, and the labor-intensiveness of technical service and repair—by 35 percent. In addition to this, the service life of motor vehicles will be increased by 30 percent and the time of operation before failure, by a factor of 1.5-2 as compared to the 1985 level. In order to reduce the time periods for putting technically improved models of motor vehicles into production, the association is introducing a system of automated planning, a complex of research equipment, and reliable testing methods. This will make it possible to reduce the time for completing the motor vehicles by a factor of 10 and the planning cycle—to 3 years.

In this program special attention is devoted to the observance of the requirements for technological documentation and quality control. Work is envisioned for improving the system of testing of equipment for technological precision, certification of technological processes, supply of subdivisions of the department for technical control with modern, highly productive equipment, the introduction of 100 percent input control of batching items with respect to all parameters that affect the basic technical and economic indicators of the motor vehicle. A number of measures have also been earmarked for improving the product quality at associated plants, and the KamAZ collective is rendering both organizational and technical assistance in carrying them out. Nor have they forgotten about the sociopolitical and social aspects of this work, which acquire extremely great significance under the conditions of the changeover to self-financing. The implementation of the program will enable the association to increase the proportion of products of the highest quality category to 100 percent of the overall volume of motor vehicles produced (not counting products that are not subject to certification) by the end of the five-year plan, to reduce the number of complaints by half, and to reduce losses from defective work.

Beginning in 1985 USSR Gosstandart agencies have been conducting expert evaluations of target programs for quality. The expert evaluations revealed significant shortcomings in their developments which make it impossible to fully realize the provisions of the decree of the party and government, "On Measures for Radically Improving Product Quality." In a number of cases they

are a mechanical, formal unification of individual assignments and measures. Frequently they include work that is not concrete in nature. Not all kinds of the most important products produced in the branch or region are reflected in the assignments of the program. Only the leading enterprises are included in its development and as a result the relatively high indicators for manufacturing products of the highest quality category included in the program encompass only a small part of the entire list of products that are produced. Thus the program for Kharkov Oblast which was well developed with the cooperating ministries and contains high indicators for the output of the most important machine-building products with the Emblem of Quality—up to 96 percent of the volume of products subject to certification—establishes assignments for only 38 enterprises.

Assignments of the "Quality" programs are not always reinforced by scientific research works. The head organizations for the various kinds of products render weak assistance to developing enterprises and organizations in the selection of the list of indicators and analogues, in the determination of the future technical level of the products, and in the development of new items. For example, assignments of the Moscow "Quality" program were sent for expert evaluation in 14 head organizations. Only two of them perform this work and the rest (including the All-Union Scientific Research Institute of Construction and Road Machinery, the ENIMS, the All-Union Scientific Research Institute of the Bearing Industry, the Scientific Research Institute of Chemical Machine Building, and the All-Union Scientific Research Institute of Commercial Machine Building) did not react in any way.

Such a problem as enlisting associates in the formulation and implementation of programs also seems important. The final success frequently depends to a decisive degree on the quality of their products. Now one can hear practically everywhere something like this: "It is your program so you do it. Its fulfillment has no effect whatsoever on the indicators of the effectiveness of our work." Is this really a state approach to the problem of quality?

In order to provide for coordination of the assignments and measures of the programs of various branches and to overcome interdepartmental barriers it is necessary for this work to be coordinated at the national economic level. In keeping with the decree, "On Measures for Radically Improving Product Quality," the USSR Gosstandart has been made responsible for coordinating the activity of ministries and departments in the area of quality control. But only individual ministries and regions are submitting their programs to the USSR Gosstandart for consideration. In our opinion, it would be expedient to establish a policy whereby the expert evaluation covered all target scientific and technical programs for quality. This would make it possible to solve more efficiently the problems of the interaction of various branches for improving the quality of the most

important kinds of products, would raise the scientific and technical level of the programs, and would provide for correspondence between the quality indicators and the world level as well as between the measures and the requirements of the party economic strategy in the modern stage.

The emergence of the USSR Ministry of Instrument Making, Automation Equipment and Control Systems is of interest. The implementation of the assignments and measures of the branch "Quality" programs during 1983-1985 provided for increasing the reliability of the products by a factor of 1.5-2 and the removal of more than 2,000 types of items from production. The higher reliability indicators that were introduced into the technical specifications for items were achieved as a result of design improvement of reliable components and blocks of series-produced items, the replacement of batching items with more reliable ones, the introduction of new design and structural solutions, and the implementation of a number of organizational and technical measures during the stage of manufacture. All this contributed to increasing the output of products of the highest quality category in the overall volume of commodity output (from 38.5 percent in 1982 to 45.7 percent in 1985) and also consumer goods with the index "N."

The same kind of program is being carried out under the 12th Five-Year Plan. It consists of four subprograms (for technology, control systems, development of technical servicing and quality control of products) and 46 "Quality" programs for the group of the same kinds of products. A central place in the work for radically raising the technical level and improving the quality of instrument building products has been assigned development and implementation of these latter programs.

Under the 12th Five-Year Plan it is intended to increase the proportion of series-produced items that correspond to the world level to 95 percent, and for new developments—to 100 percent. It is also intended to reduce the material-intensiveness for computer equipment by 15 percent, instruments for control and regulation of technological processes—by 10 percent, and electric measurement instruments—by 20 percent, and the energy-intensiveness of these items—by 8, 15, and 18 percent, respectively. The program includes assignments for updating the products, increasing their reliability, and other things. Their implementation is based on a complex of organizational and technical measures, the allotment of resources, and the development of normative documents.

According to calculations, the effect from the implementation from the program will amount to more than 1 billion rubles. Work in this area includes the formation of the technical level of items, the insurance of stability of their quality during manufacture, the maintenance of this quality during operation, and improvement of normative and technical documentation. In particular, in 1986 general technical specifications for state standards

with long-term requirements were introduced. With respect to a number of items the assignments of the branch "Quality" program are being fulfilled ahead of schedule, for example, for computer and information control complexes based on microcomputers. Work is being done for perfecting the standards for products in order to bring their scientific and technical level up to the world level, and technical specifications have been

revised and brought in line with the state standards for electric gauges, instruments and measurement voltage transformers and so forth. Production is being changed over to a modern element base through the implementation of the equipment-oriented program for the development of items of electronic equipment and also through optimizing the list of elements that are applied. Basic reliance is being placed on expanding the application of microprocessor equipment (see table).

Table—Proportion of Instruments Equipped With Microprocessors in the Production Volume of the Most Important Kinds of Products in 1986

Kind of Product	Planned	Actual
Means:		
Computer equipment	59	59.1
Mechanization and automation of management and engineering and technical work	5	7.3
Instruments		
Monitoring and regulation of technological processes	0.5	4.9
Electric measurement	8.5	10.0
For physical research	2.5	3.8
For measurement of mechanical quantities	3.8	7.4

For the implementation of the branch "Quality" program in the fourth quarter of 1986 the ministry management prepared and approved the instructions "Preparation and Transfer of Information to Enterprises and Organizations Into the 'ASU-Pribor' system" which made it incumbent on enterprises of the branch to put information into this system each quarter. This makes it possible to evaluate the actual fulfillment of assignments of the program. As data from last year show, a number of assignments of the program could not be fulfilled: the proportion of products of the highest quality category in the overall volume of commodity output was 35 percent while the plan was for 43.1 percent. There were 33 items that were certified for the first quality category instead of the highest category as was envisioned, and 21 items were deprived of the State Emblem of Quality.

Serious study should be given to the experience of the Latvian SSR in developing and introducing the republic target comprehensive program "Quality-90." It encompasses 39 of the most important items and is intended to make them able to compete. For the first time the indicator of ability to compete has become one of the planning indicators.

The program includes a special subprogram entitled "Technical Reconstruction and Reequipment of Production" for whose implementation 1.9 billion rubles have been allotted under the 12th Five-Year Plan. Moreover it is important to emphasize that for the first time in the practice of the country's national economy questions of reconstruction are being developed in direct dependence on tasks of radically improving the quality of products that are produced. A subprogram has also been formulated for work for developing the republic system of

product testing—at the present time there are 12 republic testing centers in operation.

On the basis of the republic program, the ministries and departments and also the rayons of the department have created their own target scientific and technical programs. Additionally, each enterprise determines the products within its profile and develops the corresponding program for them (in addition to participating in assignments set by the republic subprogram).

In improving quality a great deal of significance is attached to activating the human factor, which has been reflected in the branch program. In the republic 243 enterprises have created 1,300 groups for making suggestions about quality which are operating effectively. They include 93 creative use collectives which join together more than 10,000 people. Competitions have been declared for the development and introduction of the best system for product quality control, the best implementation of the "Quality" target scientific program, and also for the best group for making suggestions about quality. A bonus fund has been allotted for the winners.

In the autumn of last year a business club of quality was created under the Central Committee of the Latvian Communist Party. It includes party, soviet and business leaders, directors, and secretaries of party organizations of enterprises. The republic quality office is working actively. During 7 months of last year training and consultation was provided for 882 specialists of the republic's national economy. General training in quality is being given at practically all enterprises of Latvia and a permanent seminar has been organized for the members of the Znaniye Society lecturing on quality. As a

result, the proportion of products with the State Emblem of Quality in the republic as of 1 July 1987 amounted to 61.7 percent of those subject to certification.

The "Quality" program should become a constituent part of the system of state planning. It would be expedient to regard them as a preplanning document whose development will make it possible to develop the basic goals of the enterprise, region and branch with respect to product quality and to determine the resources and measures required to achieve these goals. The assignments of the programs should be included directly in the plan for economic and social development and should be properly monitored.

The inclusion of "Quality" programs in the system of state planning will make it possible also to clarify the composition of report indicators and the forms of the USSR State Committee for Statistics, thus providing management agencies with necessary information concerning the course of the implementation of the program. Solutions to the aforementioned problems will significantly increase the effectiveness of target-program methods of planning product quality.

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Association Head on Economic Accountability, Planning Conflicts

18200057a Moscow *EKONOMICHESKAYA GAZETA* in Russian No 2, Jan 88 p 5

[Article by B. Pimenov, general director of the Proletarskiy Trud Production Association, and Ye. Rodinkov, chief economist, Leningrad: "To Evaluate in a New Way"]

[Excerpts] Our association has been working under conditions of full cost-accounting for the second year. The year 1987 was completed successfully. All technical and economic indicators were fulfilled. In 1 year labor productivity grew 5.5 percent, which made it possible to obtain the entire increase in production volumes through a rise in labor productivity. The profit plan was fulfilled 109.4 percent. About 900,000 rubles were additionally "earned" for economic incentive funds. A total of 105,000 rubles were additionally credited to the association's financial reserve. It is especially important that contracts were realized 100 percent.

Full cost accounting forces us to constantly analyze production expenditures and to search for ways to lower them. Collectives now understand the need for material claims against the association's related subdivisions and services for causing damage.

The mutual responsibility of subdivisions in the intra-cost accounting system is natural. We believe that this should be not only among the association's internal subdivisions. Therefore, the association's collective proposed the introduction into the Statute on the State Production Association of Artificial Leather, which was newly established at the base of the sectorial industrial association, of a point concerning its material responsibility to collectives of enterprises for causing material damage to their financial and economic activity.

Now we will discuss the unsolved problems. Practice has shown that the introduction of the planning system through state orders and wholesale trade in means of production is often at variance with the territorial planning system.

Specialization in the sector requires the maximum concentration of production of uniform products at one enterprise. However, territorial planning bodies at times interfere with such specialization, trying to retain for the rayon the products that are already produced in order to prevent a reduction in total production volumes. For example, seven enterprises now produce table oilcloth in the sector. This is inefficient. However, the concentration of output at three or four enterprises is hindered by territorial planning bodies not interested in reducing the output of consumer goods.

The imperfection of some instructions hampers work. Thus, the existing "Instruction Concerning the Procedure of Recording and Determining the Level of Fulfillment of Assignments and Obligations Concerning Deliveries of Products and Goods in Accordance with Concluded Agreements During the Evaluation of Activity of Associations, Enterprises, and Organizations" approved by the USSR State Planning Committee, the USSR State Committee for Material and Technical Supply, the USSR State Committee for Labor, the USSR Ministry of Finance, the USSR Central Statistical Administration, and the AUCCTU on 23 December 1986 has become obsolete in a number of its provisions. For example, according to this instruction, the delivery of table oilcloth to consumers should be made in accordance with the designs in the press coordinated with consumers at fairs. At the same time, the formulation of delivery specifications with trade is carried out 1 and 1/2 years before the end of the planned year. Is it possible to take the conditions of the demand for produced products into consideration for such a long period? Naturally, not.

Despite the fact that now the rates of growth of production volumes are not approved in the five-year plan directly, territorial bodies continue to evaluate the work of the association's collective according to the rates of growth of production volumes. True, under the new conditions this requirement is connected with the need to retain the rates of growth computed in relation to the planned period of the preceding year, not in relation to the report, as was the case earlier. Nevertheless, this also hinders the search for ways to accelerate scientific and

technical progress through an intensive renovation of the assortment, which in individual cases requires a temporary reduction in the rates of growth of production volumes.

Cost accounting is only beginning to "operate" in the structural subdivisions of our association. Apparently, in order to obtain major improvements, we need time. We are confident that the restructuring of the intraeconomic mechanism subsequently will help us to work more efficiently and to more fully utilize the advantages offered by self-financing and full cost-accounting conditions.

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Economist Proposes Central Council To Assist Cooperatives

18200057b Moscow *EKONOMICHESKAYA GAZETA* in Russian No 2, Jan 88 p 19

[Article by B. Korchagin, economist, Moscow: "After the Running Start"]

[Text] It is hardly worth doubting that cooperative forms of labor organization and individual labor activity now win ever more active positions. At the same time, however, it would be naive not to note that the organization of cooperatives and introduction to individual labor activity occur slowly, with great difficulties, and at times with reluctance altogether. In this case the burden of old thinking accumulated during the last decades makes itself felt strongly and bureaucratic obstacles are encountered.

It goes without saying that time will be needed to overcome such stereotypes, but the more rapidly we become aware of the positive aspects and nature of this type of management and its benefit for society, the shorter it will be. The rates of development of cooperative and individual labor activity are still hindered by the existence of a great deal of lack of clarity and vagueness, which in the localities leads to a subjective nature of decisions and interpretations not always substantiated and logical and sometimes obviously overcautious.

For example, the establishment of a cooperative begins with the search for an organization under which it will be able to exist. It is important who will undertake the role of the guarantor, without which the bank will not open financing. The following question arises right away: Where does such a "guarantor" have the guarantee that it will not become bankrupt together with the cooperative? No one and nothing obligates it to assume such responsibility. Once it is so, it often rejects the role offered it. Well, what is the cooperative to do in this case? How is it nevertheless to come into the world?

However, premises for the cooperative's production activity and sources of material resources are the most important problems today. Solving the problem of premises by means of neglected basements and sheds alone, as some propose, is possible only in some cases, temporarily, and at the first stage. If, however, cooperative forms are developed seriously, new construction, including through the share participation of several cooperatives, is indispensable and for this help must be given to them.

It is also complicated to solve problems of providing cooperatives with material and technical resources. After all, to imagine that they will be able to live exclusively on secondary raw materials and, moreover, waste means to indulge in utopia. No, it is impossible to do without high-grade raw materials and supplies during the output of high-quality products. And equipment? It is in the hands of the state. Material and technical supply bodies handle it. Consequently, it is necessary to determine the procedure of mutual relations of the cooperative system with these bodies and enterprises. Otherwise, cooperatives will remain in the position of "poor relatives."

True, attempts are made to break away from the range of problems, but too timidly. For example, the Moscow City Main Territorial Administration of the USSR State Committee for Material and Technical Supply announced through the press that citizens engaged in individual labor activity were provided by its subordinate organizations with products for production and technical purposes and "could receive for temporary use (on a rental basis) individual types of instruments, technical facilities, tools, and equipment." We would like to draw attention to the fact that, first, this in no way concerns cooperatives and, second, it is only a matter of "individual types," which, in reality, means: Don't expect more, even this we give you "for temporary use."

Some people nevertheless tried to receive products there, but realized right away that this was useless. Their assortment was limited and they could not hope for a full provision. Most of the country's regions do not even have this. What is to be done?

We will not be cunning and will say openly: If cooperatives nevertheless will want to develop in such a situation, they will seek material resources in the most unpredictable ways, including, quite possibly, ways that do not always agree with the law. Here, as they say, is a matter for serious deliberation.

Individual problems of price formation and of attracting the funds of the cooperative members themselves for the development of cooperatives, trade organization, and fulfillment of state orders and many others also await a solution. It is probably clear to all that they must be solved. Only it is not clear who will prepare, generalize, and study all the data and, finally, represent the interests of the cooperative system.

At one time the author of these lines had occasion to head the producer cooperatives of the Russian Federation. Therefore, I would like to share some experience. First of all, what did producer cooperatives represent? They represented a voluntary unification into cooperative producer artels for the purpose of increasing the production of consumer goods, servicing the domestic needs of the public, and developing art, including unique, industries.

Producer cooperatives had the most various types of production. They produced articles of a vast list. Their members were united into specialized oblast unions and councils, which formed part of the councils of the Union republics and the latter, into the all-Union council.

In 1960 for not very convincing reasons (in some ways similar to those now advanced by the opponents of the organization of cooperatives and individual labor activity) producer cooperatives were liquidated. Some enterprises were closed altogether, while others were converted into shops. As a result, some, including unique, industries soon fell into decay and ceased to exist.

Quite a short time passed after this and it became absolutely clear that a serious mistake was made, leading to a reduction in the production of consumer goods and a deterioration in the state of domestic services for the public.

The fact that the list of articles and services was determined by the market demand and public need was an important distinctive feature of producer cooperatives. Of course, this required great efficiency, initiative, business-like nature, and sound enterprise and, as a result, made the system flexible and rapidly developing.

However, the main thing that the experience of producer cooperatives shows is that it is absolutely necessary to have specific centers uniting cooperatives and creating a complete and adjusted organizational structure. It seems that the present status of cooperatives confirms this. All of them are uncoordinated and left to their own devices. It would be advisable for them to elect their councils in oblasts, krais, and republics.

True, the first, but, one must say, indecisive, steps are being taken to establish councils of cooperative chairmen—for example, in some cities in Moscow Oblast. The idea of establishing a union of cooperative workers in Moscow itself is being discussed.

Most likely, a coordinating central council will also be needed. Within their powers councils could realize the contacts of the cooperative system with society, the state, and its bodies and represent cooperative interests, promoting proper mutual relations.

It is no secret that there are still many lovers of restrictions and prohibitions. Here the council should have its say on behalf of those engaged in cooperative activity.

The councils themselves will then have the rights defined by the charter to make decisions on the most general, important, and fundamental problems concerning all cooperatives.

Decisions on the establishment of a cooperative could also be taken by councils of the cooperative system (jointly with local soviets of people's deputies). They would also be guarantors for financial bodies and banks and cooperatives would not need to seek guarantor-protectors here and there, as is done now.

Councils will also be able to exert a positive effect on the regulation of the provision of cooperatives with material resources.

The cooperative system can have another highly important source of material provision for cooperatives. It is a matter of so-called intrasystems provision. Special cooperatives for the production of individual types of raw materials, supplies, rough billets, semifinished products, and the like necessary for one's system will help to set it up. Naturally, however, councils are to play a big organizational part here.

Incidentally, like it or not, both for the fulfillment of internal construction work in large volumes and for the development of planned documents it will be necessary to have specialized cooperatives, which will service the system on a contractual basis.

The provision of assistance to cooperatives in raising the technical level of production and in mastering new technology, study and dissemination of the advanced experience of cooperatives, and organization of the system for improvement of workers' skills also represent a big field of activity for councils.

Such are only some functions of the councils of the cooperative system, but it seems that even they make it possible to become convinced of their need. Incidentally, the experience of some socialist countries convincingly shows the need for the existence of centers of the cooperative system. For example, the All-Hungarian Council of Producer Cooperatives successfully carries out its activity in close contact with local authorities.

It is also necessary to give control functions to councils. They will operate jointly with state control bodies in accordance with the established procedure. Special types of checks need not be devised for cooperatives.

FROM THE EDITORIAL DEPARTMENT. Of course, the proposals by the author of this article are not indisputable. It is known, however, that cooperatives in the country's various regions really experience considerable difficulties with material and technical supply and with receiving premises for their activity. Nor have many legal and organizational problems been solved. Therefore, in our opinion, problems concerning an improvement in the

forms of organizing the activity of cooperatives and their working conditions deserve a discussion. The editorial department invites all the interested readers to this talk.

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INVESTMENT, PRICES, BUDGET, FINANCE

Roundtable on Enterprise Finances Under New Conditions

Introduction

18200058 Moscow *EKONOMICHESKAYA GAZETA* in
Russian No 1, Jan 88 p 4

[Introduction of report on roundtable by A. Gnidenko and Yu. Yakutin: "Cost Accounting and the Financial Health of Enterprises"]

[Text] In connection with the mass transfer as of 1 January 1988 of industrial enterprises to full cost accounting and self-financing the editorial department of this weekly held a regular meeting of the Business Club of *EKONOMICHESKAYA GAZETA*. The following took part in it:

A. A. Reut, first deputy chairman of the USSR Gosplan; N. V. Garevskiy, chairman of the Board of the USSR State Bank; V. G. Panskov, USSR first deputy minister of finance; V. S. Zakharov, deputy chairman of the Board of the USSR State Bank; O. M. Yun, deputy chief of a department of the USSR Gosplan; N. I. Anufriyev and A. A. Sukhanov, deputy chiefs of the Main Economic Administration of the USSR Ministry of Heavy and Power Machine Building; B. K. Alimin, deputy general director of the Izhora Plant Production Association; A. I. Soroka, chief of the Economic Planning Administration of the USSR Ministry of Ferrous Metallurgy; N. Ya. Izbekov, director of the Serp i Molot Plant; V. D. Vasilenko, deputy director for economics of the Yenakiyev Metallurgical Plant; A. V. Markin, chief of the Financial Administration of the USSR Ministry of the Machine Tool and Tool Building Industry; F. I. Rudnik, deputy general director of the Moscow Frezer Tool Association; V. Ye. Astafyev, chief of the Main Economic Planning Administration of the USSR Ministry of the Electrical Equipment Industry.

Key problems concerning the readiness of enterprises for the new conditions were discussed at the roundtable. Among them:

Did the state order leave much room in the production program of an enterprise for an economic maneuver, initiative, and economic undertaking?

How to increase the guarantees for material and technical supply and sales of products under the new conditions, when industrial enterprises operate in a new way, but USSR Gosnab bodies, in an old way?

Are enterprises always capable of living and developing at the expense of their own funds?

How to pay wages if an enterprise begins to go broke?

Does the ministry's financial assistance guarantee an increase in production efficiency if an enterprise does not restructure the intraeconomic mechanism?

The plan, which labor collectives now form themselves, should become the most important tool of efficient work by an enterprise and a guarantee for the fulfillment of obligations and derivation of a stable income under full cost-accounting conditions. At the same time, many reprimands concerning violations of the new principles of plan development are expressed.

Analysis of Plan Formation for 1988

18200058 Moscow *EKONOMICHESKAYA GAZETA* in
Russian No 1, Jan 88 pp 4-5

[Interview with Anatoliy Antonovich Reut, first deputy chairman of the USSR Gosplan, by *EKONOMICHESKAYA GAZETA*: "Plan Under Self-Financing Conditions"]

[Text] [Answer] As of January 1988 almost 20,000 industrial enterprises and associations will operate under full cost-accounting and self-financing conditions. Thus, both new and old methods of management will be in effect this year and special attention must now be paid to ensuring a normal functioning of all enterprises.

[Question] What advantages does the new procedure of plan development open up for enterprises? What has the plan become under full cost-accounting conditions?

[Answer] In contrast to past years enterprises—not only those that have adopted self-financing, but almost all enterprises—have simply not received from above plans in the form of a system of numerous indicators equivalent in the level of directiveness. As stipulated by the USSR Law on the State Enterprise (Association), they themselves have formed the plans for their development on the basis of initial data for planning presented to them by ministries, which include long-term economic standards and the state order. The state order alone is the expression of directive centralism. That is, not merely a mechanical reduction occurs in the level of centralism in planning as a result of a decrease in the number of indicators. A real step has been taken in the change in the content and functions of centralized planning with respect to the enterprise.

These changes enable labor collectives (proceeding from economic standards and guided by data on profit, labor productivity growth, currency proceeds, and generalizing indicators of scientific and technical progress) to independently form their production program ensuring the fulfillment of the established state order and contractual obligations. They can independently solve problems

connected with the numerical strength, the fund and form of wages, the process of reproduction of an enterprise's fixed capital, and the development of the social sphere.

Thus, it is a matter of fundamentally expanding opportunities, which are afforded to enterprises by the new procedure of planning and by the very content of plans.

A check in localities has shown that the new economic mechanism prompts enterprises to more actively apply new equipment and technology and to adopt more stepped-up annual plans.

Advanced collectives have worked out plans for organizational and technical measures, whose realization ensures the achievement of control figures and output of products in accordance with state orders and concluded contracts.

For example, at the Minsk Luch Production Association these measures envisage the automation and mechanization of production processes and the introduction of such advanced technologies as electrochemical polishing of stainless steel, cold heading of precision parts, and waste-free manufacture of bands.

At the Gomel Machine Tool Building Production Association the draft plan for organizational and technical measures was discussed at labor collectives of subdivisions. Owing to the introduction of new technologies and improvement in the designs of machine tools, it is envisaged obtaining an economic effect totaling 160,000 rubles and saving 76 tons of hot-rolled metal products and 62 tons of cast iron.

The Lakokraska Production Association envisaged increasing the application of vegetable oil substitutes, improving the quality of products, and raising the level of mechanization of technological processes.

At many enterprises the development of plans for organizational and technical measures has not yet been completed owing to the fact that contracts for the sale of products and delivery of material resources have not been concluded completely. It must be admitted that, in general, owing to the dragged out contractual campaign, most collectives have not been able to fully take into consideration internal efficiency resources during the preparation of the 1988 plan. This work must be concluded urgently.

[Question] The plan, in which the production program is balanced with material-technical, labor, and financial resources, makes it possible to efficiently fulfill obligations to consumers and to obtain a stable income. How are the rights and responsibility of enterprises realized during the development of plans ensuring a profitable operation?

[Answer] It must be stated openly that managers, who simply... do not need rights, have been exposed. For example, it has been revealed that neither directors, nor specialists of some enterprises, are ready for an independent development and approval of their plans. By inertia they have begun to demand that their ministries establish for them in a directive manner all basic indicators and, moreover, ensure a guaranteed supply and, at the same time, the sale of finished products, which, owing to their low quality, are not in demand. However, was the radical reform really begun for this?

We must also be ready for the fact that in the very near future enterprises will develop in a completely independent manner annual, as well as five-year, plans, which, in practice, should become the basic form of planning and organizing their entire activity.

The introduced system of economic levers and incentives is aimed at prompting enterprises to search for in-depth resources for increasing the efficiency of production and profit for their economic and social development. All the more so because, when the success rate of an enterprise's cost-accounting activity rises, it will have more internal funds for the retooling and reconstruction of production, for the construction of housing, kindergartens, and other projects for social and everyday purposes, and for material incentives for workers for highly productive labor.

[Question] What can be the consequences of a labor collective's unsatisfactory work leading to unprofitableness of production? What steps can the labor collective, the enterprise administration, and the ministry take to rectify the situation?

[Answer] As is well known, part of the profit (income) should be used by an enterprise for the fulfillment of obligations to the budget, banks, and a superior body. Another part is placed at its full disposal and together with wage funds becomes virtually the only source of the collective's vital activity. Where the production and sale of the best products with smaller costs and with a bigger saving of material and labor resources are ensured, both a bigger cost-accounting income and an advantage in production and social development and in workers' wages are obtained, and vice versa.

According to the law, "an enterprise must operate without a loss." And if this is not so, then:

First, it is deprived of resources for the formation of incentive funds with all the ensuing consequences;

second, the collective does not have resources for the formation of the fund for the development of production, science, and technology, which significantly complicates the implementation of measures necessary to improve production and the enterprise's financial status;

third, in case of unprofitableness of production the problem of fulfilling obligations to suppliers arises. When these obligations are not fulfilled, the enterprise is forced to pay substantial fines, which aggravates its financial status even more;

finally, fourth, in connection with the lack of financial resources difficulties with the payment of wages will arise inevitably.

Here it is necessary to especially stress: Whereas previously the ministry could give financial and other assistance to the collective of a poorly operating enterprise, now these opportunities are diminished significantly, because the law deprives the ministry of the right to withdraw profit from a well working collective and to transfer it to poorly working collectives.

In brief, a certain enterprise, indeed, can become a "bankrupt" with all the ensuing consequences for the labor collective. Its activity can be stopped. Such a measure is stipulated by the law "in case of prolonged unprofitableness and insolvency of an enterprise and a lack of demand for its products and when measures to ensure work profitability taken by an enterprise and a superior body do not produce results."

It must be stated that right now some production facilities are on the verge of bankruptcy. Not long ago *EKONOMICHESKAYA GAZETA* discussed what had happened with the Moscow Dinamo Production Association of the USSR Ministry of the Electrical Equipment Industry. Other examples can also be cited.

Thus, the problem of improving the financial status of enterprises is now put in the forefront and the attention of both labor collectives and managers of sectors should be drawn to its solution.

[Question] The editorial mail and the weekly's publications express many reprimands concerning the procedure of presentation of state orders. In particular, it turns out that in a number of cases state orders exceed the production capacities of enterprises and departments and, in violation of the rights stipulated by the USSR Law on the State Enterprise, as before, present planned assignments by the volitional method. What position does the USSR Gosplan take in such situations?

[Answer] In contrast to previous directive assignments for all production state orders determine only the final results of production activity of enterprises for meeting specific public needs—the delivery of final products. For 1988 the USSR Gosplan included only about 600 key serially produced industrial items (as compared to the 2,800 items planned for 1987) in the state order for the delivery of products approved by the USSR Council of Ministers.

Whereas previously, for example, volumes of production of ferrous rolled metal products as a whole were established in the USSR Ministry of Ferrous Metallurgy, the state order determines only the commodity part of the rolled products, that is, deliveries beyond the ministry's limits. They account for 69 percent of their total output.

The state order for machine building products envisages only the delivery of advanced groups of metal-cutting lathes and forging-pressing equipment. This represents only 50 percent of their total output.

The differences between previously established production plans and the state order for the delivery of articles for general machine building application can be seen in an especially clear manner. According to the state order, the share of deliveries of pig iron and steel castings, stampings, and forgings makes up approximately 8 percent of their total production volume.

The state order formed by the USSR Gosplan and approved by the USSR Council of Ministers has significantly limited the center's zone of influence on the formation of the production program. It accounts for the following: in the USSR Ministry of Nonferrous Metallurgy, 67 percent of the products; in the USSR Ministry of the Construction Materials Industry, 39 percent; in the USSR Ministry of Tractor and Agricultural Machine Building and the USSR Ministry of Heavy Machine Building, about 70 percent; in the USSR Ministry of the Automotive Industry and the USSR Ministry of Chemical and Petroleum Machine Building, 63 percent; in the USSR Ministry of the Electrical Equipment Industry, 62 percent; in the USSR Ministry of the Machine Tool Building Industry, 60 percent; in ministries of the chemical and timber complex, 72 percent.

Naturally, at enterprises specializing in the output of key national economic products the state order encompasses a significant part of all production. At the same time, however, the internal products list composition is virtually not regulated directly and the opportunity to determine the specific assortment of products is afforded to enterprises. For example, in 1987 the USSR Ministry of Instrument Making, Automation Equipment, and Control Systems set the assignments for subordinate enterprises for 3,000 types of individual groups of instruments and articles within the framework of the generalizing plan paragraph, but in 1988 this products list was reduced to 29 types.

Sometimes enterprises, in general, are outside the zone of the state order formed by the USSR Gosplan.

[Question] Nevertheless, many enterprises present well-reasoned proofs that the state order is not always substantiated and greatly exceeds the share in the production program mentioned by you. Do you share these claims?

[Answer] I do. Here it is necessary to note that with a significant limitation of the composition of indicators included in the state order formed at the national economic level most ministries have "tried" to compensate for this by including a sufficiently wide range of indicators in their orders. As checks and letters received from localities indicate, this greatly limits and often nullifies the economic independence of enterprises.

For example, the state order formed by the USSR Ministry of the Machine Tool and Tool Building Industry increases the inclusion in centralized planning of up to 84 percent of the total production volume, by the USSR Ministry of the Automotive Industry, up to 85 percent, by the USSR Ministry of Tractor and Agricultural Machine Building, up to 93 percent, and so forth. Thereby, in practice, the planning of the entire previously approved list of machine building products remains.

There is also a similar situation in other sectors. For example, the USSR Ministry of the Timber, Pulp and Paper, and Wood Processing Industry adds another 144 types of products to the 60 items, whose delivery is determined by the state order.

Some have gone even further, including such indicators not connected with the commissioning of projects or deliveries of products as the level of automation, proportion of automated machines, introduction of advanced technological processes (the USSR Ministry of Heavy and Transport Machine Building), introduction of advanced technology, rise in the technical level of production (the USSR Ministry of Tractor and Agricultural Machine Building), application of pulverized coal fuel in cast iron smelting, and mastering of new pilot units and equipment (the USSR Ministry of Ferrous Metallurgy).

There are cases when enterprises, as well as ministries, ask the USSR Gosplan to increase the composition of state orders. This means that some economic managers simply do not conceive of economic development without a directive setting of indicators. And this instead of a free choice of partners by enterprises!

At the end of 1987 the USSR Gosplan adopted a special decree on that score. USSR ministries and departments and councils of ministers of the Union republics were given a directive to carry out work on refining the structure of the state order for the purpose of eliminating an excessive regulation and detailing of the products list and its unsubstantiated expansion.

Checks in localities show that ministries do not rush to fulfill this decree of the USSR Gosplan. Managers of most enterprises, where the check has been carried out, taking a correct stand, express dissatisfaction with the fact that the share of the state order established by ministries is excessive and that the limitation of the independence of enterprises leads to a reduction in production efficiency. I will cite only one example.

At the Moscow Manometr Plant of the USSR Ministry of Instrument Making, Automation Equipment, and Control System one-fifth of the products have been in production for more than 10 years. However, the enterprise cannot get rid of them—they appear in the state order. Meanwhile, for the output of obsolete products economic sanctions are applied to the enterprise. In 1988 the amount of discounts will total more than 600,000 rubles.

Such a distortion by ministries and departments of the very essence of the state order and the attempt to retain administrative methods of management cause valid objections on the part of enterprises.

Apparently, a certain share of the blame also rests with the USSR Gosplan, whose workers have not manifested a sufficient principled nature during the coordination of the composition of indicators included by them in the state order with ministry workers.

The problem of forming the volumes of deliveries of products included in the state order was the subject of a careful and balanced examination by the USSR Gosplan jointly with ministries, departments, and councils of ministers of the Union republics and was realized on the basis of balances of production capacities.

Letters from localities mention cases when the state order exceeds existing capacities. Such cases appeared not only owing to recurrences of volitional planning, but also because the state order was formed with due regard for the fulfillment of the plan for commissioning new production capacities in 1987. In a number of cases the underfulfillment of these planned assignments led to the fact that the formed state order was a little higher than the available production capacities.

With due regard for the experience accumulated during the formation of the draft plan for 1988 the USSR Gosplan envisages expanding the work with ministries and departments on the formation of the state order for 1989, at the same time, excluding all the negative factors that occurred in this work in 1987.

We will continue to adhere to the position that the state order strictly limits the center's sphere of influence on the activity of enterprises in matters concerning the underdelivery of products and reproduction of fixed capital, granting the center the right to regulate only the utilization of capital investments allocated by it. Here, however, it is necessary to place stricter responsibility on economic managers in localities, who do not consider it proper to constantly engage in commercial work, search for customers, and expand the circle of consumers for the products of their enterprise. Sooner or later everyone will arrive at this. However, those that arrive earlier will gain. In my opinion, the economic competition is largely based on this.

Comments by EKONOMICHESKAYA GAZETA: The problem of the specific structure and volume of the state order is of great importance to cost-accounting enterprises. As A. Reut noted in his speech, of course, it should not be examined in a simplified manner. After all, it is not only that in a number of cases sectorial ministries have permitted a distortion of the very principle of the state order, have included in it assignments obligatory on enterprises both for the production of products for their own consumption and for the delivery of metal scrap, and have not coordinated the state order with the existing opportunities for its fulfillment. Of course, these mistakes can and should be corrected.

However, the problem also lies in the fact that the practice of presentation of state orders to enterprises has uncovered the need to search for answers to many other heretofore unsolved problems. For example, how to coordinate the fulfillment of the state order with the cost-accounting interests of labor collectives and self-financing of enterprises? How to combine the interest of enterprises in receiving and fulfilling the state order with the existing system of economic incentives and sanctions?

It would seem that all these problems are solved by themselves only owing to guaranteed conditions for sales of products produced according to the state order and the provision of their production with the necessary resources.

However, the materials of the business meeting at the editorial department indicate that not everything is as simple and clear as it seems and that there is a need for painstaking work on further improving the elements of the new economic mechanism and their "grinding." First of all, this concerns the coordination of the state order with material and technical provision, the financial status of an enterprise, and the development of the initiative and independence of economic bodies.

State Order Problems

18200058 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 1, Jan 88 pp 5-6

[Roundtable with B. Alimin, N. Izvekov, A. Sukhanov et al: "Order... for Initiative"]

[Text] **B. Alimin:** The coordination of problems concerning the state order with production activity is of definite importance to our plant's financial experts and, most likely, to any other enterprise as well. I will cite only one specific example, which, in my opinion, eloquently indicates that a great deal must still be done in this area.

For a long time the Izhora Plant supplied spare parts for equipment used in various national economic sectors. The demand for them is also big now. However, they were not included in the state order and, consequently, the material provision for their production lay on the shoulders of the plant itself.

Retort by EKONOMICHESKAYA GAZETA: In such cases enterprises themselves should turn to suppliers of the necessary raw and other materials and conclude contracts for delivery with them.

[B. Alimin]: We tried to come to an arrangement with suppliers of accessories. We were turned down. Nor did the appeal to territorial bodies for material and technical supply help. As we see, resources are not guaranteed for the output of spare parts not entering the state order.

Thus, not having the necessary accessories, the plant, as much as it would like to, cannot set up the production of the quantity of products that the national economy needs and is deprived of sources of replenishment of financial resources.

However, this is not all. The Leningrad Board of Arbitration, having equated the plant's long economic relations with consumers of spare parts to economic contracts, rendered a decision on exacting from the plant a fine for failing to fulfill them.

As a result, a paradoxical situation has been created: The innocent plant is punished with the ruble, consumers suffer, but there are no specific culprits.

I believe that in the new economic mechanism there should be no place for such special cases. And if they arise, this only indicates that as yet not everything has been brought into conformity with the principles forming its basis and, first of all, with the principle that the culprit compensates for the damage.

Opinion of EKONOMICHESKAYA GAZETA: The editorial mail confirms that the country's other enterprises also run into the situation described by B. Alimin. The products that the national economy needs are not included in the state order and enterprises will be forced to pay for a disruption of their production in connection with underdeliveries under subcontracting arrangements with their own financial resources.

What should be done so that such things are not repeated in the future?

It seems that efficient and coordinated work during the conclusion of contracts and the work of ministries and departments on the mutual coordination of the structure of state orders presented to subordinate enterprises are the chief things here. Only in this way is it possible to ensure a fully adequate satisfaction of the needs of enterprises for the output of products of great national economic significance.

The activity of the bodies of the USSR State Board of Arbitration also needs to be improved. They should guard the provisions of the USSR Law on the State Enterprise (Association), prevent the infringement of their interests on the basis of formal indications of guilt,

and determine on the basis of documents which one is guilty and which one should bear material responsibility for not fulfilling the duties imposed on it.

Finally, socialist undertaking, commercial initiative, interest, and a joint search by state bodies and enterprises for ways of solving urgent problems are extremely necessary in any economic endeavor today. For example, problems of material and technical provision for the production of spare parts at the Izhora Plant would not have been so acute if territorial Gosstab bodies had manifested more diligence and had become true, economically interested partners of enterprises. Gosstab bodies have resources.

N. Izvekoy: The Serp i Molot Plant produces about 22,000 types of various products, almost 50 percent of them, for delivery in small batches, whose weight ranges from 25 kg to 1 ton. For Moscow and Moscow Oblast alone we annually deliver approximately 60,000 tons of such products.

I think that here it is not necessary to explain for a long time how difficult it is to ensure a 100-percent fulfillment of contractual obligations under these conditions. I will only say that for our labor collective the fulfillment of these obligations results in perceptible financial losses. Judge for yourselves: Today the plant is forced to organize on its own the delivery of small-series products to consumers and for this to deduct substantial funds both for the maintenance of transport and warehouse facilities and for many other things.

Nevertheless, the plant cannot cope on its own with a prompt delivery of all our products to numerous consumers. As a result, with the stable work of the labor collective and fulfillment of production and profit plans the plant has had fine sanctions totaling more than 1.2 million rubles in the last 4 months alone.

Question by EKONOMICHESKAYA GAZETA: Why does the plant not enlist local USSR Gosstab bodies in the solution of these problems? Why, bypassing them, it organizes its own delivery of products?

[N. Izvekoy] The point is that they refuse to accept small-series products, referring to the shortage of personnel and the necessary capacities. In my opinion, however, this is a mere excuse, evidence of the fact that territorial Gosstab bodies do not want to undertake additional obligations. After all, we do not merely suggest that the Gosstab engage in the distribution of our products, but are also prepared to pay for these services.

There are many such enterprises as ours. If territorial bodies met them halfway and manifested mutual interest in solving this problem, the Gosstab bodies themselves, enterprises, and the national economy as a whole would stand to gain.

However, it is difficult to make a breach in the bureaucratic work of Gosstab workers. Repeated meetings with them and our proposals to begin mutually beneficial cooperation, even if within the framework of the experiment, still remain unsuccessful. Perhaps, with the transfer of Gosstab bodies to cost accounting, we will get things moving. But it is a bit too long to wait for this transfer. Urgent measures are needed here.

A. Sukhanov: I agree with the director of the Serp i Molot Plant. Enterprises of the USSR Ministry of Heavy and Transport Machine Building encounter the same problems. A 100-percent fulfillment of contractual obligations under conditions when it is much easier to deliver a rolling mill than hundreds of small articles to the consumer, in fact, proves to be virtually impossible for them. This hits hard in the producer's pocket.

The Gosstab's dispatch depots, despite their previous assurances, refuse to take part in this matter.

A. Soroka: In fact, there were assurances by Gosstab workers, but thus far there have been no concrete results. In order to somehow accomplish the tasks of delivering products in small batches, enterprises of the USSR Ministry of Ferrous Metallurgy (for example, the Yuzhnorubnyy Plant in Nikopol) offered to transfer their warehouse facilities to regional dispatch bases and to take part in the development of capacities of Gosstab bodies.

In response they were turned down for the umpteenth time.

If we talk about the potentials for strengthening the financial status of enterprises, today one of the most important among them—improvement in the interaction of the Gosstab and enterprises—in fact, is not utilized.

F. Rudnik: The Moscow Frezer Plant has been operating under the new conditions for a year. During that time a great deal has been done so that the principles of cost accounting, self-financing, and economic independence of enterprises more fully enter the life of the labor collective. There are certain advances and there are also certain difficulties. We see and try to solve them. However, one cannot say that the past year made it possible to find answers to all the problems of work organization according to the new method.

For example, let us take the problems of the state order, its material provision, and our association's finances. All of them are closely interwoven with each other. The state order encompasses 100 percent of the products produced by us. Therefore, there are no opportunities for a maneuver, initiative, and independent conclusion of contracts with consumers. Consequently, the sources of obtaining additional financial resources for economic incentive funds are also limited. Nor will extra money be a hindrance to the budget.

On the other hand, Gosstab bodies do not rise to the occasion either. Above-standard stocks worth more than 7 million rubles have now accumulated at the association. However, it is impossible to reduce them. We stock up on raw materials and supplies, because territorial Gosstab bodies either do not ensure their prompt delivery, or cut down allocations if they are not taken out. As a result, the plant pays for Gosstab's inefficient work.

O. Yun: In my opinion, representatives of enterprises and ministry workers correctly and promptly raised the problem of improving the work of Gosstab bodies. In fact, a great deal depends on the latter in the matter of strengthening the financial status of cost-accounting links of the national economy. Of course, under the new conditions of management they could not become real agents—take and distribute products produced by enterprises. The conditions for endowing territorial Gosstab bodies with such functions are now being studied carefully.

Nevertheless, these functions can be fully realized only with the transfer of Gosstab bodies to cost accounting, but, as is well known, it is projected for the end of the five-year plan. Apparently, there is an urgent need to accelerate this transfer. Otherwise, many provisions of the new economic mechanism will simply not work.

Comments by EKONOMICHESKAYA GAZETA: The need to improve the activity of USSR Gosstab bodies and to most rapidly transfer them to work under full cost-accounting and self-financing conditions was also noted in speeches by V. Vasilenko, V. Astafyev, and other participants in the business meeting.

At the same time, problems of establishing mutually beneficial, new relations between USSR Gosbank bodies and enterprises have also been broached in the course of discussion of matters concerning the improvement in the financial health of enterprises and creation of normal conditions for the realization of full cost-accounting and self-financing principles.

Restructuring of the Bank System

18200058 Moscow EKONOMICHESKAYA GAZETA in Russian No 1, Jan 88 pp 6-7

[Roundtable with Nikolay Viktorovich Garetskiy, chairman of the Board of the USSR State Bank: "The Bank is the Partner of the Enterprise"]

[Text] [Nikolay Viktorovich Garetskiy] The topic of today's meeting at the editorial department is of exceptional importance. Its urgency is determined primarily by the fact that as of January 1988 enterprises of another 20 ministries and departments change over to work under full cost-accounting and self-financing conditions. As the lessons of 1987 attest, the success of this work depends on the stability of the financial status of enterprises.

Question by EKONOMICHESKAYA GAZETA: What factors based on the analysis data at the disposal of the State Bank determine such a stability?

[Nikolay Viktorovich Garetskiy] An analysis of the activity of enterprises experiencing financial difficulties shows that in many respects the latter are caused by the underfulfillment of the profit plan, primarily owing to the violation of contractual obligations concerning deliveries. This leads to a rise in production costs and to the payment of big fines for the failure to meet contractual obligations.

The results of checks carried out by the USSR Gosbank indicate that the nonfulfillment of contractual obligations often is the reason for the insufficient attention to problems of production organization and fulfillment of the plan in terms of the given products list. Thus, individual enterprises in the search for highly profitable goods underfulfilled the plans for the production of low-profitability goods and, thereby, did not ensure the observance of contractual deliveries. Of course, in these cases they achieved the fulfillment of the profit plan, but, at the same time, also had big fines for the underdelivery of products and the profit itself seemed to be "eaten up" by fines.

Furthermore, individual enterprises got into a complex financial situation owing to old approaches to production organization. Here, first of all, I would like to note that at many of them work was constructed with the idea of the production volume, not the fulfillment of contractual obligations. In connection with this sizable above-standard remainders of commodity stocks were formed. For example, let us take the Bukhara Textile Combine of the Uzbek SSR Ministry of Light Industry. As of 1 November 1987 it had overdue debts of 55 million rubles, including 23 million representing debts on State Bank loans and almost 32 million, debts based on accounting documents received from other enterprises and organizations. The existence at the combine of above-standard remainders of commodity stocks totaling 29 million rubles, including finished products worth almost 15 million, is the basic reason for such a situation. As compared with the beginning of the year, remainders of products as a whole increased by 4 million rubles and of finished products, by almost 10 million rubles. In January-November 1987 the combine fulfilled the delivery plan only 95 percent and failed to deliver products, as compared to contracts, worth almost 7 million rubles. As can be seen from the data cited, it produced a big quantity of products, but they, not finding a market, lie in above-standard remainders at it. Of course, such actions are incompatible with the new principles of management. After all, if we proceed from the conditions introduced as of 1988, this combine should become bankrupt. It will not be even able to pay wages to its workers.

Here is another characteristic example. The remainders of finished products at enterprises of the Georgian SSR Ministry of Light Industry, which did not find a market,

totalled 162 million rubles on 1 October 1987. The amount of nonpayments was almost 200 million rubles, including on bank loans, 95 million rubles. For example, at the Kutaisi Silk Association above-standard stocks of finished products exceeded the established standards more than fourfold. Overdue payments on bank loans and accounts of suppliers reached 26 million rubles. During 10 months of last year the association fulfilled the delivery plan based on contracts only 66 percent.

Question from the audience: What should be done to improve the financial status of such enterprises? Perhaps their debt should be forgiven?

[Nikolay Viktorovich Garetskiy] Such a formulation of the question points to the insufficient understanding of restructuring the management mechanism occurring under full cost-accounting conditions. With such an amnesty there will be no cost accounting at all. This must not be allowed.

Question from the audience: Then what should we do?

[Nikolay Viktorovich Garetskiy] First of all, it is necessary to analyze the defects of the economic activity and to uncover the reasons for the existence of above-standard stocks and for the constant growth of unmarketable goods. Our checks make it possible to conclude that managers of these enterprises, their public organizations, and republic ministries have virtually resigned themselves to the situation that has been created. Previously, it was possible to live like this. After all, the bank automatically issued money for wages and extended credit for above-standard stocks. This will not happen as of the new year. The task of enterprises and superior management bodies lies in taking measures to eliminate above-standard stocks right now. This is one of the most important ways of improving the financial status, but not the only one.

A full and overall utilization of all intraeconomic resources is the main way of improving the financial status. A great deal is being said about this, but as yet little is being done. Hence the lag. The most favorable conditions for putting all resources into circulation have been created now. Irrespective of the amount of standards of deductions from the profit into the budget all associations, enterprises, and organizations at the initial stage of development of full cost accounting and self-financing during the 1988-1990 period will be able to distribute profit on a preferential basis, which they will additionally receive as a result of the utilization of intraeconomic resources.

The essence of this privilege lies in the fact that 70 percent of the profit obtained by enterprises, associations, and organizations in excess of the amounts accepted in calculations of economic standards for 1988-1990 will remain at their disposal and be assigned according to approved standards for an increase in

economic incentive funds and 30 percent of the indicated profit will be transferred to the state budget. As we see, this norm of management can become an important factor in strengthening enterprise finances.

Special attention must also be paid to strengthening contractual discipline. The reasons for its nonobservance are the most varied. However, I would like to draw attention to cases when the nonobservance of contractual discipline was caused by an uneven distribution of quarterly plans according to months and by the understatement of assignments for the first months. A disruption of contractual deliveries in collectives should be considered an extraordinary event. This is indeed so. If [an enterprise] does not deliver products to the consumer, it disappoints both its own collective and the client.

That is why it is necessary to clearly determine at an enterprise, through a system of intraplant cost accounting, the responsibility of everyone for the fulfillment of contractual deliveries as a whole. In connection with this it is important to see to it that during the formation of quarterly and monthly plans associations and enterprises proceed from the need for a uniform breakdown and delivery of products to consumers. In turn, ministries, departments, and councils of ministers of the Union republics must take efficient measures ensuring the stability of plans approved by enterprises and associations. In order not to disrupt the regularity of operation of associated sectors, clear-cut dates, when changes can be made in the plans for the production and delivery of products, were set and the procedure of changing these plans was established. Incidentally, I would like to note that the fulfillment of contractual deliveries is the core of the new management system. If they are disrupted by any economic body, naturally, this can lead to a break in the entire chain of mutual obligations. Hence the nature of occurrence of nonpayments by economic bodies to each other. Of course, the task of the credit system is to see to it that this chain is not broken. Here, however, the chief thing lies in improving the enterprise's economic and financial activity itself.

Today the problem of seeing to it that the bank always extends credit for finished products is raised often. In my opinion, this is an incorrect approach. Any finished products are produced for the purpose of more rapidly delivering them to the consumer. If, however, they are not sold, this is a very important signal that the consumer does not need them. Why should the bank invest credits in what is withdrawn from circulation. After all, the bank and the collective of its workers are also on cost accounting. It is also limited to a certain loan fund and is interested in accelerating the rate of turnover of its resources. It seems that at enterprises, which got into a difficult financial situation, first of all, it is necessary to analyze the reasons for such an existence—and to do this in each of its links—and then to envisage and mobilize all internal resources for improving the financial situation. The bank will begin to carefully control the implementation of such measures and participate in their

realization. Of course, if the reality of the envisaged measures and a guarantee for the return of bank loans are confirmed, the bank will provide assistance with its resources for improving the financial situation.

Question from the audience: It is well known that improvement in the financial situation of enterprises is connected with an acceleration of scientific and technical progress at them. Will banks grant credits for these purposes?

[Nikolay Viktorovich Garetsky] The USSR State Bank jointly with specialized banks is putting into effect as of 1 January 1988 a new Statute on Extending Credit for Expenditures on the Acceleration of Scientific and Technical Progress and Increasing the Production of Goods and Paid Services for the Public. It is envisaged assisting in every possible way in expanding the initiative and economic enterprise of plants in the area of production and social development and in issuing additional credits in the course of plan fulfillment.

As a rule, these credits are of a long-term nature and are granted for capital construction, acceleration of scientific and technical progress, increase in production, and improvement in the quality and expansion of the assortment of goods. They can also be used for the implementation of measures on expanding paid services for the public, as well as on the performance of work on expanding the export base of enterprises.

Question from the audience: What, nevertheless, will be the criterion when such credits are granted? After all, these operations should be envisaged, as a rule, in a planned manner, their social significance being obvious.

[Nikolay Viktorovich Garetsky] I am talking about operations, the need for granting credits for which is uncovered in the course of plan fulfillment. It is a matter of enlisting through credit above-plan sources for financing them.

Of course, bank institutions will give priority in the extension of credit for measures making it possible to significantly raise labor productivity and lower the labor and material intensiveness of produced products and services. The practice of a competitive selection of measures for technically improving production during the allocation of credit resources will develop for this. After all, they are not unlimited. In order to extend credit for above-plan measures, the bank should use resources in excess of the plan for this, because, as a rule, all its planned resources are distributed among consumers by this time.

Question by EKONOMICHESKAYA GAZETA: What determines the dates and terms of receiving credit?

[Nikolay Viktorovich Garetsky] The economic efficiency of the envisaged measure and the rapid rate of turnover of credit resources are the chief things here. The

periods for granting credit for these purposes will begin to be determined according to an agreement between the parties on the basis of the standard period for the implementation of the envisaged measure and its recovery according to the plan. Depending on the nature of work the maximum period of credit extension, including the period of implementation of the measure and liquidation, as a rule, should not exceed 6 years. An exception can be made only for individual types of operations in the regions of the Far North. The amount of credit itself is determined on the basis of the full estimated cost of the measure (including expenditures on the payment for purchased structures) and the availability of the enterprise's own funds for these purposes.

Credits will be liquidated from the capital of the fund for the development of production, science, and technology and other similar funds. Legislation also envisages the allocation for the liquidation of the indicated loans of 50 percent of the turnover tax from sales of produced consumer goods and other sources envisaged in the financial plans of enterprises for these purposes.

Furthermore, the granting of credits for organizing the output of new products in terms of the full cycle of expenditures is envisaged. The USSR Gosbank jointly with specialized banks has already given a directive for this problem. Its essence lies in the fact that, if internal funds are insufficient, enterprises can receive from banks long-term credits for organizing the output of new products in terms of the full cycle of expenditures, beginning from scientific research and ending with the creation of prototypes for series production. This is done for the purpose of expanding the opportunities of associations and enterprises in solving problems concerning the acceleration of scientific and technical progress.

When credit is extended, priority will be given to measures ensuring the development, mastering, and introduction of fundamentally new types of machinery, equipment, and products corresponding to the world level mastered in the USSR for the first time in series or mass production. The development of the production of products for export or for a significant improvement in their quality and the implementation of measures making it possible to raise labor productivity and to lower the material intensiveness of produced products will also receive all possible credit support.

The bank approach to the issue of such credits to enterprises, when the credit contract is concluded, is based on plans of enterprises for renewing products and on contracts and supply orders for the development of scientific and technical products in terms of the entire set of operations or individual types. Finally, the performance of construction-installation, finishing, and other operations and the rendering of services for the production of new products can be the object of credit extension here.

In order to receive a loan for the indicated purposes, enterprises must submit to the bank a calculation of the economic efficiency and recovery of the measure and appropriate documents for financing work of a capital nature in accordance with the rules of financing and extending credit for construction. The credit extension period is established by the bank with due regard for the time necessary for an enterprise to fulfill the plan, to renew products, and to recover expenditures on the basis of sectorial standards, but no longer than for 3 years.

Question by EKONOMICHESKAYA GAZETA: What role can the establishment of a calendar order of payments play in the financial status of enterprises?

[Nikolay Viktorovich Garetskiy] Improvement in the financial situation of enterprises also becomes especially urgent in connection with the establishment of the calendar order of payments. I have already discussed the importance of a prompt settlement of accounts among enterprises, that is, a strict observance of payment discipline.

A prompt and full settlement of accounts under the new conditions of management guarantees a stable financial situation of both suppliers and consumers. After all, enterprises, as a rule, appear in two persons. That is why under the new conditions of management the importance of payment discipline and of a prompt and full settlement of accounts increases. For these purposes for enterprises transferred to full cost accounting and self-financing it has been established that all payments from their accounts, including deductions into the budget and the payment of wages, are made on the basis of a calendar order of receipt of accounting documents at the bank, that is, the arrival of dates of payment.

This means that, if on 1 January of the new year an enterprise has big debts in connection with settling accounts with its clients and, for example, 7 January is the wage payment date at it, the money will be used, first of all, for paying for accounting documents and the rest, for paying wages. As is evident, this can lead to a late wage payment. After all, the payment for documents will begin on the basis of a calendar order of the arrival of payment dates.

The checks carried out in localities have shown that many enterprises, associations, and organizations have not yet achieved a stable financial situation, fulfillment of contractual obligations on the dates set, and strengthening of payment discipline. In other words, owing to the indicated reasons, they can prove to be nonpayers. Under the conditions of entry into force of the USSR Law on the State Enterprise (Association) on 1 January 1988 this can lead to a late settlement of accounts and a delay in the payment of wages at enterprises operating on the basis of cost accounting and self-financing principles.

Taking into consideration the great social and political importance of the transition to the new conditions of management, USSR ministries and departments and councils of ministers of the Union republics jointly with subordinate enterprises, associations, and organizations, USSR banks, and their local institutions were instructed to take urgent steps and to complete the work on strengthening payment discipline and improving the financial health of enterprises under the conditions of introduction of the calendar order of payments. During the first 6 months of 1988 at the initial stage of work of enterprises, associations, and organizations on full cost accounting and self-financing they are granted short-term credits for the issue of funds for the payment of wages in the absence of money in current accounts for reasons not depending on their financial and economic activity. I stress, however, that this measure is temporary and its implementation is connected with the period of enterprises' transfer to work under the new conditions of management.

Question by EKONOMICHESKAYA GAZETA: On what terms is the credit for the issue of wages granted?

[Nikolay Viktorovich Garetskiy] When issuing credits, banks have the right to demand from enterprises the implementation of measures necessary for a prompt return of the indicated credits. If on the expiration of the set date an enterprise does not liquidate the credit, the bank will have the right to assign the disposable balance of funds available to enterprises, associations, and organizations for these purposes.

Before the issue of credit bank institutions promptly examine the financial status of an enterprise, clarify the reasons for the absence of funds in its account for the payment of wages, and determine the prospects for the liquidation of credit. Credit will not be granted for the amount of the allowed wage overexpenditure.

Credit will be granted irrespective of the existence of overdue debts on loans for the period of up to 10 days without the conclusion of a credit contract and will be formulated by time obligations. On the expiration of the dates set for its liquidation the return to the bank will begin to be secured from the money received in the current account of an enterprise, as well as that in accounts of economic incentive funds. Of course, these credits are granted by banks for payment and in case of overdue loans the amount of payment will be doubled. If an enterprise repeatedly requests credits for the payment of wages, the bank will inform superior economic management bodies of this and will demand the adoption of measures to strengthen the enterprise's financial situation.

Question from the audience: Will the former conditions of allocation of funds for the payment of wages and issue of credit in the necessary cases for the indicated purpose remain in effect for enterprises, which as yet are not transferred to full cost accounting and self-financing?

[Nikolay Viktorovich Garetskiy] Yes, the previous procedure remains in effect until their transfer to full cost accounting and self-financing.

Comments by EKONOMICHESKAYA GAZETA: Thus, the rumors widespread in business circles that the calendar order of payments will be introduced during the second half of the year and, perhaps, at its end proved to be, as the saying goes, slightly exaggerated. As decided earlier, this strict, economically justified procedure will be introduced as of 1 January 1988.

This report evoked an obvious confusion among some participants in the "Business Club." Yes, this is a very responsible decision. As V. Zakharov, deputy chairman of the Board of the USSR State Bank, reported at the meeting at the editorial department, on 1 December 1987 the total sum of nonpayments in the national economy amounted to 41.3 billion rubles. As compared with the 1986 level, this is 9.5 billion rubles less, but still the debt is big. Indebtedness in connection with bank loans totals 15.3 billion rubles and in connection with suppliers' accounts, as well as fines, the debt to the budget, and so forth, 26 billion rubles.

All these debts must be liquidated. An intersectorial examination of mutual indebtedness is now being conducted. The bank will give credit for a period of 4 months on quite preferential terms to those that do not have enough money. Other measures will also be taken, but the new procedure of settling accounts will be put into effect as of 1 January 1988.

Thus, the situation is changing fundamentally. Enterprises with all their work should ensure a stable financial situation. Otherwise, one "fine" moment the funds necessary for the payment of wages will not be available in the current account.

New Credit Terms

18200058 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 1, Jan 88 p 8

[Roundtable with V. Zakharov, A. Sukhanov, A. Markin et al: "Credit for Wages"]

[Text] V. Zakharov: The bank will issue credit during the first half of the year to enterprises, which have no money in their current accounts for the payment of wages. Then they will have to earn money on their own. Credit is issued for 10 days, after which it has to be liquidated. For every day of using this loan an enterprise will pay 0.01 percent. I stress, for every day! If an enterprise is unable to pay and takes credit for the second time, the rate will be doubled and in annual terms will make up 7.2 percent of the loans. If an enterprise requests a loan for the third time without liquidating its debt, the rate will increase to 0.03 percent, that is, the enterprise's debt to the bank for credit will annually make up 10.8 percent of the loan for wages taken next time.

Opinion of EKONOMICHESKAYA GAZETA: The terms are very strict. This will be reflected in enterprise funds and in the collective's material well-being. It is not difficult to imagine how the responsibility placed by the labor collective council on the administration and economic services not ensuring the enterprise's financial health will be increased.

V. Zakharov's report evoked a stormy reaction on the part of those present.

Retorts from the audience:

This is unfair!

You will ruin [us] completely!

You will quarrel with the working class!

A. Sukhanov: This will be a disaster for machine builders.

A. Markin: It is inconceivable that enterprises can restructure their work in 4 months.

Question by EKONOMICHESKAYA GAZETA: Is there a suggestion?

[A. Markin] Credit should be issued at once for a year and overdue payments should be liquidated in equal quarterly shares in 1989-1991.

Retort by EKONOMICHESKAYA GAZETA: In brief, on the expectation that under self-financing conditions enterprises will also live at the expense of the state budget.

V. Zakharov: I don't understand why Comrade Markin begins the count as of 1 January. After all, the decision on the transition to full cost accounting and self-financing was made a long time ago. This work should have begun a year ago...

Retort by EKONOMICHESKAYA GAZETA: As far back as under the conditions of the large-scale experiment.

A. Markin: Before transferring enterprises of the USSR Ministry of the Machine Tool and Tool Building Industry to self-financing it was necessary to take into consideration all the technical and economic indicators of the five-year plan. After all, when the five-year plan was formed, the conditions under which we will work as of 1987-1988 and during subsequent years were not taken into consideration and our profit plan, as it becomes clear now, was obviously overstated.

O. Yun: The Ministry of the Machine Tool and Tool Building Industry itself must... the proposal on the transition to self-financing.

A. Markin: But then there were other conditions! There was no state acceptance. State acceptance, for example, revealed that we made poor-quality products, but there were no reprimands concerning them. And what now? On the average, our production cycle has increased by 15 to 20 percent and labor intensiveness and expenditures have risen. All this is reflected in the profit. This was not taken into consideration earlier. Now both ends must be made to meet, of course, at the expense of the state.

V. Zakharov: It is still not clear why the count is made as of 1 January 1988. After all, we should have also engaged in economic work earlier, we should have gotten rid of all above-standard stocks earlier, eliminated shortcomings, improved the quality of products, and ensured the fulfillment of the plan for deliveries according to contracts.

A. Sukhanov: We have eliminated, but here is state acceptance! This is almost like a natural calamity! We have planned a big growth—11 percent—for next year. If a miracle happens and the plan is fulfilled, if we obtain a profit, we will be forced to give all of it for previous debts.

N. Anufriyev: This matter also has a social aspect. To be sure, the problem should be solved from the position of the USSR Law on the State Enterprise. But it is quite possible that a certain enterprise will be declared bankrupt. However, we cannot allow unemployment!

N. Izvekov: What unemployment? Cooperatives divert people right now. All of them go to work in the service sphere. It is necessary to give thought to how not to "ruin" the industry.

O. Yun: The working group of the Commission on Improving Planning, Management, and the Economic Mechanism is now examining the financial status of enterprises and sectors on the basis of the plan formed for 1988. I should note that at the commission's meetings all ministries reported on their readiness for the transition to self-financing. Reports by directors of ministries were made mainly in bright tones.

Retort by EKONOMICHESKAYA GAZETA: Did the report of the USSR Gosplan to the government not distort this?

O. Yun: We have checked the real state of affairs in localities and I can responsibly state that many enterprises have not truly prepared themselves for work under self-financing conditions. And if so, no external injections, on which representatives of enterprises and ministries insist here, will help. Intraproduction cost accounting and the presentation of the new conditions to every brigade, to every shop, and to every worker are the main core. We must finally understand that all collectives should earn money. They cannot continue to live in

debt. The economic mechanism operates only through economic interest. If every worker is not reached, these interests will not be put into effect.

F. Rudnik: I share this point of view. True, the inertia is still strong. However, at Frezer the labor collective council is militant. It strongly presses the administration. It was necessary to analyze in detail how production costs were formed over many years. We uncovered many bottlenecks. On the whole, a policy of utilizing all financial resources was pursued.

Comments by EKONOMICHESKAYA GAZETA: We concentrate on one thing in publications: It is necessary to create an intraeconomic mechanism clearly oriented toward the requirements of the Law on the State Enterprise and clearly orienting all workers toward the achievement of high final results. Apparently, however, not all economic managers and economists have realized this yet. For example, an article about the Dinamo Plant was published in our newspaper not long ago. A critical situation was created there. The enterprise, in fact, turned out to be on the verge of bankruptcy. Its managers convinced themselves and, it appears, the ministry that there was no way out of the situation. The USSR State Bank, having analyzed the enterprise's financial activity at the request of our weekly's editorial department, said: There is a way out. We discussed this in No 51. Or did the editorial department and the State Bank make a mistake?

V. Astafyev: No! The minister of the electrical equipment industry with a group of specialists visited Dinamo not long ago. During 4 hours we analyzed in detail the state of affairs and became convinced that the consumer approach predominated among the enterprise's management and specialists. All the hopes are for the ministry's help. Yes, many debts have been accumulated and the ministry will give some help to the collective. However, the collective also must be influenced to live at the expense of its own money. We think that such a reorientation will enable the collective to more rapidly enter a normal channel.

Comments by EKONOMICHESKAYA GAZETA: Voices are heard: "Cost accounting will hit the working class in its pocket." Yes, it will! But not the working class, only workers of enterprises that do not engage in cost accounting and where the collective and public organizations have lost control over the activity of the administration in matters of preparation for work under self-financing conditions. Incidentally, even now it is not late to make it accountable for inactivity. Ways of improving the financial situation of enterprises have long been known to everyone. We have been talking a great deal about the need to eliminate above-standard stocks, to strictly observe contractual discipline, and to improve the quality of products not during 1 year, 2 years, or even two or three five-year plans. However, we do not take specific effective measures in this direction. The most acute problem—the work of enterprises under conditions of self-financing and

calendar accounting of payments—is now on the agenda. In brief, everyone has reached the last line, beyond which actions, not words, are needed.

Transition to Self-Financing

18200058 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 1, Jan 88 pp 8-9

[Interview with Vladimir Georgiyevich Panskov, USSR first deputy minister of finance, by *EKONOMICHESKAYA GAZETA*: "To Uncover and Mobilize All Resources"]

[Text] [Answer] As participants in the roundtable noted correctly, a stable financial situation during the start-up period, in fact, is of exceptionally great importance for a successful operation of enterprises on the basis of full cost-accounting principles. The situation at this section is very complex. Therefore, today it is extremely important to uncover weak vulnerable spots in the finances of enterprises and determine where they lose their income. According to our data, in 1987 about 25 percent of the industrial enterprises did not cope with the fulfillment of the plan for profit amounting to more than 8 billion rubles and almost 25 percent of the enterprises allowed an increase in production costs totaling 5 billion rubles.

In practice, the number of unprofitable enterprises has not decreased in the last few years. In industry alone 13 percent of such enterprises annually bring 4 billion rubles of losses. Losses from the production of unprofitable products, which make up 6 percent of the total output, are even higher and damages from their production amount to about 7 billion rubles.

Nonproductive expenditures and losses, most of which are made up of fines for a breach of delivery contracts, greatly lower the financial results of enterprise activity. For example, during 9 months of 1987 a total of 28 percent of the enterprises did not fulfill the delivery plan, for which they paid more than 2.8 billion rubles of fines. In the USSR Ministry of Heavy and Transport Machine Building and the USSR Ministry of the Chemical Industry the sum of fines paid during 9 months of 1987 exceeded more than threefold the sum of nonfulfillment of the profit plan during that period.

Basically, for these reasons many enterprises had a shortage of their own circulating capital at the end of 1987. The withdrawal of circulating capital for purposes not connected with the plan in the amount of about 3.5 billion rubles also aggravates the financial situation of enterprises, which leads to nonpayments to suppliers and contractors and to a delay in the liquidation of bank loans. On 1 November 1987 the mutual indebtedness of enterprises exceeded 20 billion rubles. The stocks of uninstalled equipment exceeded standards by 6.8 billion rubles.

The existing situation necessitates the adoption of decisive measures on the part of ministries, departments, associations, and enterprises for improving the financial situation during the transition to full cost accounting and finances of enterprises both during the start-up period and subsequent years of the current five-year plan.

Opinion of *EKONOMICHESKAYA GAZETA*: The unexplainable calm of many economic managers, when the financial status of their enterprises is quite shaky, evokes bewilderment. They have known about the transition to cost accounting and self-financing for a long time. However, during past months they hardly did anything to get rid of the effect of factors aggravating the financial situation. Labor collectives have the right to demand a report on what has been done, what has not been done, and why it has not been done.

[Answer] In accordance with the decision of the CPSU Central Committee and the USSR Council of Ministers "On Restructuring the Financial Mechanism and Enhancing the Role of the USSR Ministry of Finance Under the New Conditions of Management" ministries and departments should have prepared proposals on improving finances at the enterprises of their sectors.

[Question] With what should the work on improving financial health begin?

[Answer] First of all, it should begin with the implementation at enterprises of a set of economic, technical, and organizational measures for improving the economy and finances. However, as checks have shown, many ministries approached this work formally and did not present its meaning to enterprises. They replaced organizational work with the presentation "according to the old way" of directive assignments for reducing above-standard commodity stocks, nonproductive expenditures and losses, and uninstalled equipment. The USSR Ministry of Fertilizers limited itself to the presentation of these assignments only for the fourth quarter of 1987, that is, only until the moment of transition to the new conditions of management.

According to this ministry's logic, the finances of subordinate enterprises can be improved through the solution of individual financial problems, not touching upon the reasons giving rise to the situation that has been created. According to their opinion, with the transition to full cost accounting these problems will be solved by themselves, automatically. It seems that such an approach cannot be considered constructive.

Some ministries approach the improvement in the financial situation in a purely dependent manner and see a guarantee for their well-being only in obtaining additional funds from the budget. For example, the USSR Ministry of Ferrous Metallurgy, to strengthen the sector's finances, counts mainly on receiving 500 million rubles from the budget in order to cover the debts of its enterprises. Nor do the proposals by the USSR Ministry

of the Timber, Pulp and Paper, and Wood Processing Industry contain the dates for the return of the internal circulating capital of enterprises, which is lost and withdrawn from the economic turnover.

[Question] What are the main ways of strengthening the financial status of enterprises, which changed over to work under full cost accounting and self-financing conditions?

[Answer] Making up for the shortage of internal circulating capital, returning withdrawn capital into circulation, accelerating its rate of turnover, and improving the settlement of accounts are some of the basic aspects of improving finances during the start-up period. However, in these matters the psychology of a free-ride mentality has struck strong roots at many enterprises in the last few years: Lost circulating capital has been generously replaced at the expense of well-operating enterprises, budget subsidies, or centralized "outright" credits. The examination of the balance lasted until the second 6 months of the year following the year under review and enterprises, which had a shortage of capital and sources for making up for it, waited for the ministry to decide their fate. Now the Law on the State Enterprise grants the latter extensive rights in the use of their own capital without waiting for authorizations from above. The limits for the use of the fund for the development of production, science, and technology for these purposes were expanded considerably.

Improvement in the financial health of enterprises will depend to a considerable degree on how soon enterprises return into the economic turnover the circulating capital withdrawn for purposes not connected with the plan.

In industry 27 billion rubles were withdrawn into "above-standards" alone. Enterprises and associations were given extensive rights in the sale of surplus stocks of raw materials, supplies, and equipment. It is necessary to immediately take a complete inventory of stocks and calculations and develop a program for the use of physical assets, return of withdrawn funds to accounts, and on this basis strengthening of the solvency of enterprises.

Measures for eliminating the unprofitableness of enterprises and losses from the production of unprofitable products should occupy the central place in the improvement program. Unfortunately, as checks show, in a number of cases ministries had a formal attitude toward the determination of these measures, which in many cases proved to be unrealistic for fulfillment and not backed by specific proposals of enterprises.

For example, the measures presented by the USSR Ministry of the Chemical Industry during the second half of 1987 envisaged a reduction of 17.2 million rubles in unprofitableness at Zima and Pavlodar chemical plants and at the Lisichansk Soda Plant and their reaching profitability during the fourth quarter of 1987. In fact, however, they incurred losses amounting to 10.6 million

rubles only during the third quarter, which exceeded planned losses more than sixfold and at the Zima Plant, 16-fold. Thus, instead of the elimination of unprofitableness at these enterprises they ended 1987 with large above-plan losses. At the Pavlodar Chemical Plant losses are also planned for 1988.

The USSR Ministry of the Timber, Pulp and Paper, and Wood Processing Industry did not work out problems concerning the elimination of unprofitableness at enterprises in a sufficiently profound manner. As a result, in the wood processing industry by 1990 one-third of the enterprises will remain unprofitable and more than 10 will operate at a loss.

At every enterprise operating at a loss effective measures for transforming it into a profitable enterprise should be developed and realized with a view to unconditionally eliminating unprofitableness in all sectors and regions by the end of the five-year plan. In some cases the accomplishment of this task depends mainly on the enterprise collective and in others substantial help on the part of the ministry is needed.

[Question] What should be done at the enterprises themselves to eliminate unprofitableness in the production of specific products? How to maximally utilize this factor in strengthening the financial situation of cost-accounting links of the national economy?

[Answer] Proposals on improving finances should envisage primarily measures to increase production efficiency and to lower production costs and on this basis to increase profit, which should be assigned primarily for the introduction of advanced technologies, development of the social sphere, personnel retention, return of lost circulating capital, and liquidation of the debts of enterprises.

It is also necessary to revise the list of produced articles, to stop the output of unmarketable goods, to increase the production of products in demand, and to improve their quality. The Krasnodar Worsted Cloth Combine chose precisely such a way of improving its financial health. There customers' requirements and trade orders were taken into account, the output of unmarketable single-color fabrics was discontinued, the output of multicolored fabrics was increased, and the assortment was renewed by 25 percent in 1987. As a result, during 10 months of 1987 above-plan savings amounting to 1.8 million rubles were obtained as a result of the reduction in production costs and stocks of fabrics at warehouses were reduced by more than one-half. Now the combine does not have overdue debts to the bank and suppliers. Yet at the beginning of 1987 overdue debts totaled 2.4 million rubles.

We must constantly keep in mind that, if requirements for the quality of products are weakened and if gospriyemka requirements are not met, an enterprise will find itself in a difficult financial situation. Such a situation

arose at the Leningrad Machine Tool Building Production Association imeni Sverdlov of the USSR Ministry of the Machine Tool and Tool Building Industry. The association poorly prepared itself for gospriyemka. As a result, during 9 months of 1987 the production plan was not fulfilled, production costs of commodity products increased by almost 10 percent, and 7 million rubles of profit less than envisaged, or 60 percent of the plan, were obtained.

The financial situation of enterprises, along with other reasons, largely depends on the improvement in the utilization of production capacities, their interfacing and balance, and increase in the shift coefficient. In most cases, however, these problems do not find a place in the proposals on improving finances presented by ministries. For example, at the Ministry of the Chemical Industry, according to the data of the USSR State Committee, at 10 projects commissioned on the basis of compensation 20 to 85 percent of the capacities are used. As a result, the national economy failed to receive chemical products worth 280 million rubles during 9 months of 1987.

At the same time, the experience of some enterprises indicates that it is impossible to ignore this important way of improving financial health. For example, the Bologoye Fittings Plant of the USSR Ministry of Chemical and Petroleum Machine Building, as a result of the improvement in the mastering of commissioned capacities, from a plant operating at a loss—losses totaled 252,000 rubles in 1986—became profitable. A total of 20,000 rubles of profit were obtained during 10 months of 1987.

Another direction in improving the financial situation of enterprises is no less important. It is a matter of lowering the material intensiveness of products. At many production facilities expenditures of raw materials and supplies per unit of output are not reduced.

Meanwhile, a significant reduction in the material intensiveness of production is the most accessible potential for saving and increasing financial resources. Reducing material expenditures only in the amount of 1 kopeck per ruble of the national product makes it possible to additionally obtain 14 billion rubles of national income.

The introduction of resource-saving, low-waste, and waste-free technologies, improvement in the standardization, recording, and control of the expenditure of raw materials and supplies, and general transfer of the recording of production expenses according to the standard method are the basic ways of lowering material intensiveness.

[Question] These directions in increasing production efficiency are well known. Why are they not developed in practice?

[Answer] The point is that workers, engineers, and production rationalizers as yet are not very interested in saving raw materials and supplies, although the procedure and amounts of payment of bonuses have been established. It is necessary to interest workers in saving materials in practice. After all, a single payment of bonuses in the form of part of the savings gives a stable increase in profit per article (as a result of the reduction in expenditure norms) and creates the basis for an additional output of products from saved materials.

As an analysis of the state of affairs indicates, in some labor collectives with an in-depth study of the system of measures for increasing the income and profitability of enterprises it is possible to solve problems, which previously pertained to the category of insoluble ones. It is a matter of maximally utilizing the physical assets formed in production as outright losses and various kinds of technological losses. In industry alone such waste annually totals more than 10 billion rubles.

A program for the organization of cooperatives at enterprises for waste utilization and on this basis of an additional output of consumer goods with an active participation of territorial bodies for material and technical supply and local soviets could become a realistic way of reducing them.

The introduction and improvement of intraproduction cost accounting are important ways of ensuring a healthy financial situation at an enterprise. Thus, at the Moscow Petroleum Refining Plant of the USSR Ministry of the Petroleum Refining and Petrochemical Industry all 17 shops operate under cost accounting conditions. This is one of the factors in the stable financial situation of this enterprise. During 10 months of 1987 the plan for the sale of products with due regard for deliveries based on contracts was fulfilled completely and 4.9 million rubles of above-plan profit were obtained.

It should be recommended that in the shortest time enterprises present to every production facility, shop, section, and brigade assignments for saving material expenditures, production costs, profit, and incentive funds depending on the final result of labor and develop extensive work on the transition to the collective contract and the introduction of brigade cost accounting. Material and economic mutual responsibility for the fulfillment of obligations among the subdivisions of an enterprise should be applied more widely.

Comments by EKONOMICHESKAYA GAZETA: As the discussion of problems concerning the improvement in the financial health of enterprises showed, advocates of "additional financial feeding" for enterprises and of granting them monetary subsidies for covering existing debts from the budget were also among the participants in the "Business Club." In particular, both representatives of enterprises and workers of the USSR Ministry of Ferrous Metallurgy, the USSR Ministry of the Machine Tool and Tool Building Industry, and the USSR Ministry of Heavy

and Transport Machine Building proposed that the "train of debts" of enterprises stretching from the 1980's be liquidated from the centralized funds of ministries and state budget subsidies.

However, the existence of debts is the result of poor management. Even if debts are liquidated without the elimination of the reasons for their occurrence, they are formed again. Therefore, today we should not count on assistance from the budget—incidentally, it will be given from credits and with due regard for the characteristics of every debtor enterprise—but on a rise in the level of all economic and analytic work of enterprises. Here, in O. Yun's opinion, principal attention should be paid to the development of intraproduction cost accounting and the presentation of its principles to every brigade, shop, and worker. With regard to the assistance for enterprises, each enterprise needs an individual approach. For example, according to the conclusions of the Gosplan commission, which examined the preparation of enterprises for the transfer to self-financing and included representatives of all central economic departments, many enterprises can manage without credits for the liquidation of debts. They have sufficient resources not only in order to provide themselves with funds for further development, but also to pay off their debts. Naturally, it is necessary to maximally utilize these resources and to place them at the service of new methods of management.

Furthermore, practice shows the inefficiency in providing one-time free financial assistance from the budget, or in the form of centralized bank credits, which at one time greatly gained in scope. Without exposing and eliminating the reasons giving rise to the unfavorable status of finances and without uncovering and mobilizing in-depth resources for increasing production efficiency, it is impossible to improve the work of enterprises.

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Heavy Industry Wholesale Price Formation Methodology Published

18200066a Moscow *EKONOMICHESKAYA GAZETA*
in Russian No 3, Jan 88 p 19

[“Methods for Determining Wholesale Prices for Products for Production and Technical Purposes of Raw Material Branches of Heavy Industry”; approved by the USSR State Committee for Prices; first paragraph *EKONOMICHESKAYA GAZETA* introduction]

[Text] In *EKONOMICHESKAYA GAZETA* No 51 for 1987 we published the Temporary Methods for Determining Wholesale Prices for New Machine-Building Products for Production and Technical Purposes. In this issue, in response to requests from readers, we are publishing the Methods for Determining Wholesale Prices for Products for Production and Technical Purposes of Raw Material Branches of Heavy Industry (without the appendices).¹

1. General Provisions

1.1. The present methods apply to products for production and technical purposes of branches of the fuel-energy, metallurgical, and chemical-timber complexes and the construction materials industry, taking into account the work of the enterprises under complete cost accounting and self-financing. The Basic Directions for Improving Price Setting for Products of Raw Material Branches of Industry in the modern stage are: reflecting more completely in prices the consumer properties, technical level and product quality; giving prices an anticost nature; taking into account supply and demand; stimulating the output of principally new kinds of raw and processed materials that are as good as or surpass the best world models; and providing for economizing on resources in the national economy.

1.2. The methods are general for forming wholesale prices for new products, including contractual prices, and also wholesale (base) prices for assimilated kinds of products of raw material branches of industry, thus providing for their methodological unity.

A comprehensive approach to forming prices for new and base (assimilated) kinds of products has the goal of creating, while constantly updating the products list, an integrated price system based on normative-parametric methods of price setting and unified principles for evaluating consumer properties of products.

1.3. The basic principles of the methods are:

providing for unified value estimates of the consumer qualities and qualitative indicators of the products regardless of the level of individual expenditures of individual enterprises;

distributing between the manufacturer and consumer the economic effect from the application of progressive kinds of raw and processed materials;

utilizing normative-parametric methods for establishing prices.

1.4. The ministries (departments), if necessary, develop and, with the coordination of the USSR State Committee for Prices, approve branch (or subbranches and groups of products) augmentations to the present methods which reflect the specific nature of price setting in the corresponding subbranches or groups of products.

2. Basic Principles for Forming Wholesale Prices for New Products

2.1. New products include those that are highly effective and able to compete which were planned for production or produced on the basis of the results of scientific research or applied developments, including in keeping with target comprehensive programs at national economic and branch levels that are on a par with or surpass

the best world achievements in terms of their indicators for which new normative and technical documentation is being developed. New kinds of raw and processed materials are distinguished by a totality of qualitative characteristics or individual parameters and should provide for a reduction of the resource-intensiveness and improvement of the consumer properties of products that are developed in associated spheres of utilization and also an ecological and social effect.

2.2. When setting prices for new kinds of products it is necessary to provide for:

a relative reduction of the cost of the new products for the consumer, more rapid increase of the useful effect as compared to the increase in expenditures as a result of selecting the optimal variant for improving the consumer properties of the product depending on the amount of the economic effect in the concrete sphere of application;

the establishment of economically substantiated price ratios for new and previously assimilated kinds of analogous and functionally homogeneous products;

the application in keeping with the USSR's Law on the State Enterprise (Association) of Contractual Prices for New or First Assimilated (Principally New) Products and also for products manufactured according to individual orders in order to expand independence in economic activity, take individual demands of consumers into account more fully, and stimulate the output of high-quality products.

2.3. Depending on the peculiarities of production and the application in the national economy of methods for determining prices, new products are subdivided into the following kinds:

those that have an analogue on the price list and are distinguished from the previously assimilated products by their level or combination of individual consumer properties—modernized products;

new products, which do not have a direct analogue but are interchangeable with other kinds of products in one or several spheres of application;

principally new products intended for satisfying a new demand (for example, materials with superconductivity, amorphous steels, ceramic construction materials, membrane materials, hydrocarbon fibers, glass fiber for light conductors, and so forth).

New products produced to replace imported ones are included in one of the three aforementioned kinds.

2.4. Prices for new products, depending on the level of establishment and the sphere of application, are divided into:

centrally established (price list);

contractual, established by the supplier with the agreement of the client;

independently established by the supplier of the product;

limit, determined by the client with the agreement of the supplier.

Centrally established (price list) contractual prices and independently established prices are used for calculations for products and limit prices—only for technical and economic calculations.

2.5. For products that have an analogue on the price list (modernized), wholesale prices are established utilizing normative-parametric methods based on wholesale prices of analogues and normative value rating (additional payments, rebates) for changes in the consumer properties (quality).

In general form the wholesale price for modernized products is determined according to the formula: C_n equals $C_0 (1 + gS/i R_i/100 + gS/i P_i)$, where C_n , C_0 —wholesale price of corresponding unit of new product and analogue (rubles); i —index of quality characteristics for increase (change) in which additional payments (rebates) are calculated; R , P —normative evaluation (additional payments, rebates) for increase (change) in quality characteristics; R —established in percentages, P —in rubles.

Wholesale prices for modernized products are established in additional price lists or directly by the enterprises and appendices to normative-technical documentation.

If necessary, the wholesale price determined by the aforementioned method for modernized products is applied as a limit price for technical and economic substantiation of the expediency of its design and production. In cases where additional requirements are placed on the products for changing the consumer qualities and the condition of plant readiness for which normative cost estimates have not been established, their amounts are determined by agreement with the client.

2.6. For new products that do not have direct analogues, the establishment of contractual and price list prices is preceded by a determination of the limit price, which is the maximum permissible.

2.6.1. The limit price is determined in the initial stages of the development of the new product and is used for technical and economic calculations, the substantiation of the expediency of its design and production, and the establishment of contractual and list prices.

When there are various spheres of application of the new products, several levels of limit prices can be established, which reflect the effectiveness of the new products for specific spheres of application (consumers).

2.6.2. The client submits to the developer of the technical assignment, along with the initial specifications, a limit price calculated on the basis of basic technical-economic, social and ecological parameters indicated in the order for the development of the new products. The establishment of the limit price is done simultaneously with the establishment of the technical assignment (with the agreement of both parties so limit price can be established in the stage of coordination of the technical plan).

2.6.3. The limit (maximum) price characterizes the maximum value estimate of the new product determined on the basis of conditions of equal advantage from the application of it instead of the base product, that is, the price of the replaced product and the useful effect according to a formula: Cl equals $Cb + Ep$ where Cl —limit price of new product; Cb —price of product in the base variant; Ep —useful effect from the application of the new product.

The amounts of individual constituent parts of the useful effect in value terms are calculated according to existing methodological documents for determining the economic effectiveness of new technical equipment.

The methods for determining the useful effect which takes into account the specifics of the raw material branches of industry are given in Appendix 2.

2.6.4. The difference between the limit price and the price of the lower limit determined on the basis of the normative production cost and the normative profit is the distributed economic effect (Er) taken into account in list and contractual prices: Er equals $Cl - Cnp$, where Cl and Cnp —correspondingly the limit price and the price of the lower limit.

2.6.5. The wholesale list (contractual) price for new products that have no direct analogue is determined according to the formula: Cp equals $Cnp + Er \text{ times } Ke$, where: Cp —list price; Ke —coefficient for accounting in price of distributed economic effect is taken as less than or equal to 0.5. In the establishment of contractual prices Ke is determined by agreement of the two sides.

2.7. Contractual prices are established for new products of raw material branches of heavy industry that do not have a direct analogue and also for principally new products.

2.7.1. For principally new products the contractually new prices are determined on the basis of economically justified expenditures on the production (normative

production cost) and are increased with the agreement of the client as compared to the normative level of profitability by a factor of up to 1.5.

In the assimilation of the production of principally new products, in keeping with the comprehensive programs for priority directions of scientific and technical progress, contractual prices for raw materials, processed materials, fuel, energy and the final products are determined by the head organization of the MNTK [interbranch scientific and technical complex], taking into account the cost-accounting interests of the client of the final product and all participants in the process of its production.

If principally new products are produced to replace imported ones, and they have the same or improved consumer properties, it is necessary to provide for an economically justified price ratio for groups and kinds of products with world prices, taking into account their technical and economic parameters and quality.

2.7.2. Contractual prices for principally new products and products that have no direct analogue are established with agreement between the enterprises (ministries, departments) by the manufacturers and consumers for a period of up to 2 years and are documented with a protocol of the agreement (Appendix 1).

When there are several spheres of application of the new products the contractual prices can be established for various spheres of application within a calendar time for the effect of the contractual price which is agreed upon with the basic client.

3. Basic Principles for Determining Price List Prices

3.1. When developing price lists of wholesale prices it is necessary to provide for:

consistently reflecting in prices socially necessary expenditures on the production and sale of products, their consumer properties, quality, more effective utilization of labor and natural resources and reflection of expenditures on their production, and also protection of the environment;

giving prices an anticost nature, increasing their stimulating role in the acceleration of scientific and technical progress and improvement of product quality, effective utilization of raw and processed materials in the national economy, saving on resources, the creation of new, highly effective kinds of products, reduction of the material-intensiveness of products, and extensive introduction and utilization of reduced-waste and waste-free technology;

extensively utilizing normative-parametric methods of price setting taking into account expansion of the rights and capabilities of the enterprises for selecting optimal variants for satisfying the needs of the national economy for objects of labor with minimal expenditures of resources;

improving the ratio of prices for interchangeable kinds of items at the interbranch and intrabranh levels in order to create economic prerequisites for improving the structure of production and consumption;

creating economic prerequisites for the work of all raw material branches of heavy industry and normally operating enterprises under the conditions of complete cost accounting, self-support and self-financing;

providing for interconnection of methods of price setting with the system of indicators and normatives supplied in the new economic mechanism;

ensuring equal advantage of the production of base kinds of products in order to create economic prerequisites for stimulating improvement of their consumer properties;

reducing the costs of each unit of the basic consumer parameter of the product as its quality improves.

3.2. Wholesale prices for products of various branches intended for satisfying the same national economic need (fuel, design materials, materials and designs for construction and so forth) are determined according to unified methodological principles on the basis of objective conditions for the production and sale of products.

3.3. In the calculations for substantiating the price levels in the price lists one uses:

the normative production cost of products calculated for the branch (in individual cases—for the group of branches producing products for the same purpose) or specialized production (subbranch).

Profit according to established normatives for its formation.

3.4. The development of price lists of wholesale prices includes the following stages: the formation of a normative base for the prices and the calculation of the list prices.

3.4.1. The determination of the normative base of the prices includes:

calculation of substantiation of norms for the expenditure of material, energy, labor and other resources on the basis of progressive technological processes and the utilization of equipment with the modern technical level;

calculation and substantiation of the coefficients of price ratios and normative evaluations of consumer properties of products in terms of the basic quality parameters;

substantiation of the method for distributing profit among the various kinds of products and coefficients for reducing the cost of a unit of consumer parameters.

3.4.2. The development of list prices includes:

formation of the model of the price list (refining the list of products, selecting the units of measurement, determining the forms of price list tables, and so forth);

calculation of prices for basic kinds (type representatives) according to normative calculations. The base kinds are kinds products whose totality of consumer properties corresponds to the modern technical level and makes it possible to include in the value series a maximum number of modifications of products of the same time;

calculation of prices for the entire price list on the basis of coefficients of their ratios within the limits of value series or utilizing other variants of normative-parametric methods of price setting.

3.5. The methodology for developing price lists on the basis of normative-parametric methods of price setting is given in Appendix 3.

the methods for distributing profit among the various kinds of homogeneous products (according to the item on the price list or its section) is selected taking into account the specific features of the branch in order to carry out the following basic tasks more consistently:

providing for the stimulating role of prices in increasing the production of highly effective interchangeable kinds of products;

providing for equal advantage in the production of homogeneous products that are not interchangeable that are produced on the same equipment (production capacities). Here equal advantage means obtaining the same mass of profit when selling various kinds of products produced on this equipment per unit of time with the normative labor-intensiveness of production.

This is achieved through distributing profit among the basic kinds (type representatives) of homogeneous products in proportion to the normative labor-intensiveness (cost of processing, expenditures according to the division or other normative base taking into account branch peculiarities).

For products that form the parametric series these prices are established on the basis of the price level for the basic kind (type representative), consumer profit use and effectiveness, the profit is determined as the difference between the price and the production cost.

3.7. The prices for the basic kind (type representative) and analogous product comprise a parametric series in which the prices are differentiated depending on the level of consumer properties of the specific kind of products. The prices are not differentiated:

for products whose basic consumer characteristic is one or several quantitatively measured indicators (service life, content of the basic substance, chemical or physical property, grade and so forth) utilizing additional payments and rebates (normative evaluations) for changing the corresponding indicator by a given amount;

for products whose change in consumer properties depends on a multitude of factors—on the basis of comprehensive quality evaluations (coefficients of metallurgical, energy and so forth values; coefficients of interchangeability and so forth). A special case is the differentiation of prices according to sizes (thicknesses, cross-sections, forms of various complexity and so forth) which is done taking into account the change in the proportional material-intensiveness. As a maximum price in this case one uses the price of the next interchangeable size and the effect for the product with a smaller proportional-material intensiveness is determined as the difference between this price and the price that provides equal advantage and production of the next sizes of products.

3.8. In wholesale prices and normative evaluations of quality one takes into account the economic effect in keeping with paragraph 2.6.5 of the present methods.

The economic effect represents the value estimate of the change in consumer properties of the products that exert an influence on the level of expenditure of material, energy, labor and other resources, the quality of the consumer's product, and the ecological and social indicators of production and application.

For general-purpose products, that is, those used in many spheres, the economic effect is determined on the basis of the savings on material resources provided as a result of the increased physical and chemical properties and the degree of readiness through the reduction of the material-intensiveness or the increase in the yield of prepared products for the consumer.

For specialized products, that is, those intended for a particular sphere of application, the economic effect is calculated by the consumer or with his agreement on the basis of the maximum possible utilization of the increased consumer properties of the product. When calculating the economic effect from data of a concrete consumer, adjustments must be made in the direction of increasing the amount of effect when the consumer is not ready for efficient application of the product with improved quality and in the direction of reduction if the product is utilized inefficiently in the base variant.

When there is a system of two price lists (wholesale prices for enterprises and wholesale prices of industry) the economic effect is calculated on the basis of prices for the consumer.

The methods of determining the useful effect taken into account in the prices are considered in Appendix 2.

3.9. The evaluation of consumer properties of products is done according to indicators including the standards, technical specifications, and other normative-technical documentation and are monitored in terms of parameters of the prepared product.

3.10. The price lists include products manufactured according to GOST's, OST's, TU's and other normative-technical documentation approved and registered under the established policy. The products intended to be removed from production are not included in the price lists.

The price lists include products sold at contractual prices whose period of effectiveness expires by the time the new price list goes into effect.

3.11. The price lists include normative evaluations of consumer properties (additional payments and rebates on base prices).

Footnote

1. The appendices give: the form of the protocol for coordinating the contractual wholesale price; the policy for determining and accounting in prices for the economic effect from the utilization of the new products of raw material branches of heavy industry; and the methodology for developing price lists on the basis of normative-parametric methods.

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Institute Director Interviewed on Preparation for Price Changes

18200084a Moscow *EKONOMICHESKIYE NAUKI* in Russian No 1, Jan 88 pp 43-50

[Article: "Restructuring of Planned Price Formation"]

[Text] Vladimir Ivanovich Cheplanov, director of the Scientific-Research Institute for Price Formation of the USSR State Committee on Prices and Doctor of Economic Sciences responds herein to questions addressed to him by the editorial staff.

[Question] Tell us please about the goals and principles of the forthcoming reform in price formation. How are the preparations for this reform progressing?

[Answer] The reform in price formation is an inalienable and most important component of the radical restructuring of the mechanism for socialist management,

which was thoroughly validated during the June (1987) Plenum of the CPSU Central Committee and which at the present time is energetically being introduced into the plane of practical operations. In organic unity with other elements of the restructuring, this reform must ensure the centralized planned administration of the national economy, together with the extensive development of economic methods that are based upon healthy functioning of commodity-money relationships and the action of the law of value. This will create conditions for the economic independence of enterprises and their self-support and self-financing. The reform must balance supply and demand and stimulate an increase in the rates for production intensification and improvements in output quality.

Important principles of the impending reform include purposefulness in the assignment of prices in conformity with the socially needed labor expenditures and the attachment of an anti-expenditure character to the prices. This obviously is not meant to appear as an appeal, when determining prices, to ignore the true expenditures that develop both at the branch level and at enterprises. A price and actual expenditures are closely associated one with the other and this link will be taken into account. But the price reform must eliminate a reflection in the prices of irrational expenditures, that is, those which do not correspond to the modern status of equipment, technology and production organization and the skills of workers.

A maximum democratization of price formation based upon an expansion in the rights of enterprises and local organs will open up realistic opportunities for the all-round utilization of all resources in our economy and for satisfying the financial requirements of enterprises, branches and regions. Importance is being attached to making full use of the opportunities afforded by contractual prices, the prices of cooperative organizations and those prices which develop as a result of the action of market conditions, the kolkhoz market and so forth.

The reform assumes a change in the role played by the USSR Goskomsen [State Committee on Prices] and the union republic state committees on prices. They are becoming scientific-methodological centers responsible for orienting economic subjects towards ensuring that the interests of a collective and those of the socialist society on the whole are merged during the course of establishing prices.

Let us now discuss the preparations for the impending reform. Here I would like to single out the following aspects in particular. The forecasting-experimental character involved in the development of new price levels and in the price ratios is being intensified. The variants for possible price changes and their consequences for the national economy are being checked in advance (with the aid of an inter-branch balance and computers). The required limitations, "compensation" and so forth are being introduced for the various structural elements of a

price. A basically new aspect in the preparations for the reform in wholesale prices is the creation of economic conditions for an equivalent exchange of products among enterprises, under conditions involving their conversion over to self-support and self-financing. There is still one other feature — democratization and extensive discussion on the pages of the press of all of the preparatory measures being undertaken in the sphere of price formation.

[Question] You mentioned the connection between the price reform and other elements in the restructuring of the administrative system. Is it possible to illustrate this thesis using as an example the interaction of this reform with changes in logistical supply? The problem of coordinating price formation with the conversion over to wholesale trade in the means of production is of interest to many of our readers.

[Answer] As developed in a sound manner in works produced by a number of our leading economists, the conversion over from existing administrative methods of centralized supply to wholesale trade will make it possible to strengthen considerably the objectivity of price formation and bring the prices more in line with the ONZT. On the other hand, the mentioned democratization in price formation, the creation of all of the economic prerequisites needed for carrying out an equivalent exchange of products among enterprises and the use of new principles for the formation of prices (particularly for new equipment) favor the further development of wholesale trade in the means of production.

A necessary condition for organizing wholesale trade under the conditions imposed by the economic independence of enterprises is the development of prices for products of a production-technical nature, while taking into account the true economic effect to be realized from their use. Prices must become first of all an objective criterion for national economic effectiveness in the use of the achievements of scientific-technical progress. This is called for first of all when carrying out a radical reform in wholesale prices. In particular, democratization of the price formation process and the extensive use during the reform process of the institute of contractual prices make it possible to sell to consumers, in the form of wholesale trade, all industrial waste products, especially the waste products of mining-enrichment and metallurgical production operations.

Improvements in and the development of wholesale trade are largely dependent upon the preparation and implementation of the Methodological Instructions for Reviewing the Price Increases and Allowances of Supply-Marketing Organizations Within the USSR Gosnab system. A system must be provided for converting territorial organizations of logistical supply over to complete cost accounting.

[Question] A most important aspect in the democratization of price formation is obviously that of optimizing the relationship between centralized and decentralized price formation. How will this problem be resolved?

[Answer] Differentiation between the mentioned spheres is basically defined in the documents of the June (1987) Plenum of the CPSU Central Committee, the following session of the Supreme Soviet and in the 17 July 1987 decree of the CPSU Central Committee and the USSR Council of Ministers. It is important to note that prices for structure-determining types of products should be approved on a centralized basis: products such as raw materials, fuel, machines and equipment for large series production, food products and for other types of consumer goods upon which the population's standard of living is dependent to a decisive degree.

Moreover, a normative-methodological base for price formation must be formed in the "center": a system for calculating production costs and profitability norms, the system for employing bonuses and allowances and also the methods for determining prices according to product groups.

A considerable expansion is taking place in the rights and obligations of ministries in approving prices for the products of intra-system consumption and for products supplied to one or two other ministries. USSR Goskomtsen has commenced work in connection with transferring a portion of its rights concerned with the approval of prices over to the ministries.

The rights of associations and enterprises are being expanded sharply. It appears advisable to allow them to approve independently the wholesale prices for new types of products for a period of up to 1-2 years, such that permanent prices will later be approved, with the true conditions for the production and use of products being taken into account.

The prices for products of local markets will be approved in the various areas.

During a period of general reviews of wholesale prices, which should be conducted once every 5 years, USSR Goskomtsen will establish new prices for a broader nomenclature of products. Hence, new prices are approved for each five-year plan, prices which are formed based upon economically sound expenditures and which take into account the prospects for technical progress and consumer demand. During the course of the five-year plan, the prices for new types of products will be approved to a greater degree by the ministries and enterprises and this will provide a combination of price stability and flexibility.

Under the new managerial conditions, changes are expected in the following types of prices and rates.

First of all, centrally established prices and rates for products, goods and services which are approved, depending upon their national economic and social value, by the USSR Council of Ministers, the USSR State Committee on Prices, ministries and departments, the councils of ministers of union and autonomous republics and the executive committees of soviets of worker's deputies.

Secondly, contractual prices and rates which are established by ministries, departments and producer-enterprises (by agreement with the consumers) for products of a production-technical nature, which are produced on the basis of one-time or individual orders; for new products or products developed for the very first time (for a period of up to 2 years and in accordance with a list defined by USSR Goskomtsen); for the final products of scientific-research and planning-design organizations; for non-food consumer goods sold by associations and enterprises on the basis of agreements with trade organizations; for products purchased and sold by cooperative organizations.

Thirdly, independently determined prices and rates. They are established by enterprises, organizations and cooperatives for products of a production-technical nature, consumer goods and services not covered by centralized price formation and also for products and services for internal consumption or sold within one's own trade network.

It should be emphasized that the sphere of use of contractual and independently approved prices will expand as further development takes place in complete cost accounting and self-financing, wholesale trade and in direct economic relationships. Centralized price formation, as expected, must be limited to a system of state orders in wholesale trade (in the future).

In view of the fact that the methodological base for decentralized price formation was not adequately developed and its practical use has not been studied thoroughly owing to a narrow sphere for its realistic use, instances of arbitrary rule may arise during the initial stages of the impending economic reform in connection with the establishment of contractual prices and rates and also independently approved prices, that is, considerable deviations in these types of prices from the actual ONZT. Nevertheless, it appears that there are more actual guarantees for achieving trustworthiness in the determination of prices in the decentralized sphere than there are in the centralized sphere. This is conditioned objectively by an increase in the role played by commodity-money relationships and the introduction of self-financing and self-support at enterprises, both of which presuppose complete cost accounting for suppliers and consumers.

It is my opinion that some more important guarantees (of a different nature) can be cited than that of arbitrary rule in the determination of prices. This includes: unity

in methodological support for the process of price formation; balance method for economic planning; the introduction of new wholesale prices commencing 1 January 1990; a system of state control over price formation; direct participation by a consumer in the process of price determination.

In all probability, thought should be given to the creation of a type of "code for honest price formation," the foundation for which already exists in some CEMA member states, particularly in the VNR [Hungarian People's Republic].

[Question] The most important task today is that of forecasting the problems which will arise in connection with restructuring and outlining methods for correcting them in a timely manner. How is work proceeding in this regard relative to the radical reform in prices?

[Answer] There is no doubt but that a definite conflict exists between the principles of complete cost accounting (self-financing, self-support), given the present status of a number of enterprises (associations), and the principles which form the foundation for the basic reform in price formation (anti-expenditure nature and strict orientation towards the ONZT and taking consumer properties into account). It is clear that as a result of the reform a portion of the enterprises will operate at a loss or have a low profitability. Here we have in mind mainly enterprises which have poor production conditions, non-specialized, light or obsolete equipment and technologies and so forth. Naturally, a requirement exists at the present time for a system of effective measures for alleviating these negative consequences to the maximum possible degree.

The new system of prices created during the course of the basic reform in price formation must ensure equal conditions for the economic activity of enterprises which operate on the basis of complete cost accounting. An equal degree of tension must be achieved in cost accounting for the various enterprises based upon the total amount of payments for resources. Such an approach makes it possible, over the course of a definite interval of time, to reveal clearly the financial status of enterprises as the principal economic elements and to hand down sound economic decisions.

The possible measures for preventing the adverse consequences of the price formation reform, for the economies of enterprises which operate under poor managerial conditions, should ideally be subdivided (certainly, with a definite amount of conditionality) into three groups: overall nature, price and financial measures.

The first group should include the following: an analysis and summary of the experience of the first 2 years of enterprise operations based upon the USSR law governing a state enterprise (association); the sequence and gradual nature (as preparations were made in behalf of the appropriate conditions) of the work involved in

introducing the new economic mechanism. The measures of a price nature include in particular a differentiation of prices, the extensive use of contractual prices and also mark-ups, graduated prices and so forth. The financial measures include a temporary subsidy by means of branch funds, a favorable system for the issuing of credits for restructuring and re-equipping and differentiated financial regulatory measures.

[Question] The majority of our readers consists of teachers of political economics. And naturally, in addition to other tasks, we are confronted with the need for providing an intelligent and competent explanation of the party's policies with regard to realizing improvements in retail price formation. Could you not discuss in greater detail the many questions concerned with this problem?

[Answer] Retail prices for consumer goods play a very important role in connection with the implementation of the social policies of the CPSU. Their importance to the national economy is underscored by the fact that roughly 60 percent of the national income is employed for private consumption through retail goods turnover and the public consumption funds; more than two thirds of the monetary income of the population, which forms the effective demand, derive from the wage funds in material production.

As emphasized by M.S. Gorbachev during a visit to Murmansk, the existing price system was developed 20-30 years ago and for the most part is hopelessly out of date. It reflects and reproduces the shortcomings of the economic mechanism of an expenditure type, it brings about violations in the relationship between social product and national income in the material-physical and cost structure and it cheapens to a considerable degree the CPSU measures aimed at raising the income of the population.

Spasmodic measures aimed at improving price formation for consumer goods during past decades not only did not solve but in fact they even aggravated the problem of financial balance and monetary circulation in the country. During the 1970-1985 period, the production of consumer goods in terms of value increased by twofold and the amount of money in circulation — by a factor of 3.1, as a result of which the value of a ruble declined by roughly one third (without taking into account the factor of growth in average retail prices).

The existing system of retail prices is oriented towards the interests of producers, it responds only weakly to changes in the market conditions for consumer goods and it promotes the discontinuance of a cheap assortment of goods and a preference for low quality but expensive products.

Relatively low prices for food goods for the population, with considerable state subsidies for raw materials, lead to unjustified losses in material and financial resources,

they promote the wasteful use of raw materials in industry and they disrupt the price ratios for food and non-food consumer goods. High and inflexible retail prices for non-food consumer goods promote stagnant phenomena in industry, they reduce the budget's potential for mobilizing resources for expanded reproduction and for development of the social sphere and they hinder growth in welfare of workers and harmonious development of the personality.

At the present time, food goods (including alcoholic beverages) constitute approximately 51 percent of the retail turnover in goods and industrial goods — 49 percent (including light industry products — 28 percent and goods of a cultural-domestic nature and for economic use — 17 percent) and this underscores the less than optimum structure of commodity supply. These ratios predetermine the distortions in the price levels and ratios for food and industrial goods and they deform the structure of net income from the sale of consumer goods. Thus food goods production which does not take into account alcoholic beverages is unprofitable for the state and in order to provide customers with food goods at existing prices use must be made of subsidies in the amount of 67 billion rubles. And here is what the net income obtained from the sale of consumer goods looks like: of the income amount realized in 1985, alcoholic beverages accounted for 40 percent and the importing of non-food goods and the production of domestically produced goods — 30 percent. Thus it should be borne in mind that state budgetary income from the sale of alcoholic beverages and imports will decline sharply in the future. Under these conditions, effectiveness in the assortment and quality of the consumer goods being produced by our domestic industry will increase substantially.

The radical reform in retail prices developed in execution of the decisions handed down during the 27th Party Congress and the June (1987) Plenum of the CPSU Central Committee assumes that these prices will become a reliable instrument for raising real wages. Computations reveal that with growth in nominal wages at the planned level during the 1970's and early 1980's, the real wages of workers increased twice as slowly as the nominal wages owing to the price factor. Here the problem had to do with unjustified growth in the average retail prices which, during the 1975-1985 period, increased an average of 23.1 percent (including for food goods — 10.3 and for industrial goods — 27.1 percent).

The radical reform in retail prices assumes their close coordination with the national economic proportions through the planning of production in consumer goods by structure-forming price groups. The groups are based upon a classification of goods according to their social value and the role they play in satisfying social requirements.

During the mid 1960's and throughout the course of the economic reform, a system of two price lists was employed for consumer goods, with this system (despite

the intentions of its advocates) being included completely in the administrative-bureaucratic system of management for that period. A system of two price lists was expected to achieve interaction between price formation and the financial-credit system and to make the relationships flexible and stable. However, this did not take place owing to the actual orientation of the system of two price lists exclusively towards the cost accounting interests of industry, in achieving high monetary results of management, including by means of raised wholesale and, it follows, retail prices. A direct relationship arose between the growth in wholesale and retail prices as a result of the extensive use of a faulty principle in price formation for consumer goods. A radical reform in the latter is impossible in the absence of elimination of low profitability and the subsidizing of retail prices for food products and some unprofitable goods of light industry.

As is known, the retail prices for meat and dairy products at the present time have been established at a level which is not in keeping with the state's expenditures for the production and sale of these products. As a result of an improvement in purchase prices, the issuing of subsidies for the meat and dairy group increased during a year's time by a factor of 1.8, with the total amount reaching 54.6 billion rubles.

A portion of the subsidies for agricultural raw materials is being used in light industry. They are regulated by means of a special loan account.

I would like to point out the chief shortcomings in the subsidy system for the establishment of retail prices. First of all, a system of subsidies leads to a distortion in the true expenditures in agriculture and industry, it exerts an adverse influence on the effectiveness of use of deficit raw materials during their industrial processing and it becomes a factor in the irrational use of secondary material resources. Secondly, this system promotes the development of distortions in the price level and ratios for food and industrial consumer goods, it adversely affects the structure of the retail prices and net income and it limits the opportunities for expanding the assortment of industrial consumer goods. Thirdly, the issuing of subsidies in behalf of retail prices lowers the purchasing power of the ruble, it disrupts monetary circulation and it brings about a deterioration in the cost proportions. Fourthly, the system of subsidies inhibits implementation of the principle of social fairness in the distribution of material resources, it creates a basis for wage-levelling, it undermines motivation for highly productive labor and it adversely affects purchasing power and the standard of living of workers.

As is known, two diametrically opposed opinions have arisen in economic literature concerning improvements in retail price formation. Some economists propose a "freeze" on retail prices at the existing level and they are pursuing a course aimed at stabilizing them, considering this to be the chief means for raising the true income of the population. Others are proposing a radical change in

retail price policy. They want it to be more flexible and adaptable to the requirements of the new economic mechanism. This requires first of all a change in the ratio of prices for food and industrial consumer goods, with an increase in prices for the meat and dairy group and a reduction in retail prices for some other consumer goods.

I would like to note the following in this regard. First of all, if a solution is not found for the problem of price formation for consumer goods, it will be impossible to solve other problems concerned with improving the economic mechanism. Secondly, the system of retail prices cannot be viewed apart from the purchasing and wholesale prices. A change in it must be coordinated with the reform in wholesale prices, rates, estimates and purchase prices, upon the level of which the final sales prices will be largely dependent.

In accordance with computations carried out at the Scientific Research Institute of Price Formation, several variations are possible for changing the retail prices in connection with new wholesale and purchase prices. Thus, if we take into account all of the price increases for industrial products and the maximum purchase prices, then the retail prices in the national economy can increase by 39.3 percent and if we consider all of the reserves in industry, agriculture and the financial system in connection with the creation of the new economic mechanism, then this price increase may amount to only 4.8 percent (with growth in the prices for food goods of 18.7 percent and a reduction in prices for the products of light industry of 4.4 and for complicated domestic equipment and economic goods of 14.5 percent).

The new level for retail prices must not adversely affect the well-being of the principal body of workers and the disabled population. This calls for the development of a mechanism for compensating the population for potential losses associated with the retail price level for food products. Different variants for compensation and for a type of subsidy based upon the state budget are presently being discussed in economic literature; they obviously amount to roughly 27 rubles per month or 324 rubles annually per individual.

When forming the new retail price level, a need also exists for taking into account more completely, in the prices for industrial goods, the novelty, fashion and technical level of these goods and for developing and introducing a basically new mechanism for price stimulation and for expanding the assortment and improving the quality of consumer goods. The existing system has become obsolete and it is incorrectly orienting the cost accounting of associations and enterprises by stimulating the production of material-intensive and low quality products. A differentiation of prices, depending upon the quality and consumer properties of the goods, is carried out using such indicators as reliability, durability, high quality, resistance to wear and so forth (and not according to consumer properties which conform to the needs

of the population). These technical-economic parameters are recorded in the normative-technical documentation and they are employed by the enterprises in differentiating expenditures, which in the final analysis are reflected fully in the prices. It has been for precisely this reason that, with stable nominal prices, the average retail prices for a majority of the industrial consumer goods have increased in recent years at impressive rates, exceeding the growth in quality and in the consumer properties of the goods.

An important problem concerned with the radical restructuring of price formation for consumer goods is that of raising substantially the effectiveness of the system of temporary and contractual prices, discounts and seasonal sales. This system must stimulate the rapid adaptation of industry to the market conditions.

A review is needed of our notions concerning the policies underlying retail price formation, the social importance of which has been forfeited in recent years in connection with the slogan of retail price stability. It is completely obvious that there cannot be a uniform policy in price formation for objects of primary need, for a "prestigious" assortment of goods, for food products produced on a mass scale or for delicatessen goods.

A flexible retail price policy also calls for the prices to have a strong effect on the dynamics of expenditures and net income realized through retail prices.

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Trade, Finance, Production in Socialist System Discussed

18200084b Moscow *EKONOMICHESKIYE NAUKI* in Russian No 1, Jan 88 pp 82-93

[Article by Galina Petrovna Zhuravleva, assistant professor in the Political Economics Department of Trade Faculties at the Moscow Institute of the National Economy imeni G.V. Plekhanov and Candidate of Economic Sciences: "Commodity Circulation, Finances and Credit (Materials for a Lecture)"]

[Text] Under socialism, an exchange in the products of labor is carried out by means of purchase and sales, that is, it takes the form of commodity circulation. In addition to isolating the movement of marketable products, a relatively independent movement of money takes place, a movement which on the one hand forms monetary circulation and, on the other, monetary resource funds for the state, enterprises (organizations) and population.

The purpose of this lecture is to reveal the specific economic categories, laws and forms which prevail under socialist conditions for commodity and monetary

circulation and the type of role played by commodity and monetary circulation in social production and in solving the tasks concerned with accelerating socio-economic development.

Essence and Functions of Commodity Circulation Under Socialism

The essence of commodity circulation is revealed in two aspects. First of all, there is the economic process of selling the product produced. Secondly, there is the sphere of social production in which this process takes place. In it a portion of the productive capital and man-power is separated apart for the purpose of carrying out the specific functions required for circulation (1). This separation takes place in production sphere and in the sphere of consumption and is not noted in the distribution sphere: the latter is carried out in the production sphere and in circulation.

A distinction should be made between exchange in the broad sense — as an exchange of activity, services, experience and so forth and exchange in the narrow sense of the word — an exchange of labor results or product exchange, which takes on the form of commodity exchange (T-T) under the conditions of commodity production.

Under the conditions of commodity production, an exchange expresses the social relationships existing between economically separated producers. K. Marx wrote: "An exchange does not create differences between the production spheres, but it establishes a relationship between spheres which are already different" (2). V.I. Lenin stated in this same regard: "An exchange of goods expresses a relationship between individual producers by means of the market" (3).

Thus, as an economic category, an exchange expresses production relationships and economic links between people (as producers and consumers) with regard to the products of labor created not for a particular consumer but rather for satisfying social requirements. Trade — the activity of people in carrying out commodity exchange — should be distinguished apart from commodity circulation (commodity exchange by means of money using the formula T-D-T).

It is useful to remind students that the need for commodity circulation is conditioned by the existence of commodity production and that commodity production assumes commodity circulation. The existence of commodity circulation is conditioned by the availability of goods and money.

The character and role played by commodity circulation in social production differ in the various formations. In revealing the new socio-economic essence of commodity circulation under socialism, special importance is attached to emphasizing that it appears mainly as a planned and organized process at the level for society;

that the overwhelming proportion of goods under socialism consist of the products of socialist enterprises (more than 98 percent in the USSR). In terms of its scales, the sphere of commodity circulation is considerably greater than that under capitalism: man-power is not being reproduced in marketable form and land — the chief means of production in agriculture — is not being sold, purchased or leased; factories and plants are also not objects for sale or purchase; there are no stocks or other forms of fictitious capital.

Under socialism, commodity circulation is carried out for the purpose of satisfying the production requirements of society and the personal requirements of the population. The essence of commodity circulation is expressed in its economic functions.

K. Marx, as is known, distinguished between the two types of commodity circulation: 1) true and pure and associated with purchase and sales actions; 2) heterogeneous (alien) or additional, associated with a continuation of the production process in the sphere of circulation. Both of these functions exist under socialist conditions.

The true functions of commodity circulation include the following: first of all, the sale of products as social use values which signify the satisfaction of requirements (which in the sphere of circulation appear in the form of effective demand; secondly, the sale of products produced as values which signify reimbursement for socially needed labor. Just as use value and the value of goods exist only in unity, these two functions of commodity turnover are also indivisible. They can be broken apart only theoretically, as was done by K. Marx. I would emphasize that under our conditions special attention must be given to the function of satisfying the effective demand of customers.

Forms of Commodity Turnover

The existence of two forms of public ownership of the means of production and the private property of citizens and the dividing up of the total social product into sub-elements I and II produce a complicated structure for the sphere of commodity turnover.

Based upon ownership relationships, commodity turnover can be viewed as the totality of several forms. The first — turnover in the products of labor within the state sector (here there is no change in the owner; this form encompasses 60 percent of our country's overall commodity turnover, it is organized on a more planned basis and money is moved mainly in the form of non-cash transactions). The second form — turnover among state and cooperative sectors; the third form — turnover within the cooperative sector. These two forms, in which a change of ownership occurs, account for only 6.5 percent of the country's overall commodity turnover.

The fourth form — turnover between the public economy and the population. This includes state and cooperative trade in consumer goods and also the intra-farm sale of food products to kolkhoz members. The mentioned form (it constitutes 32 percent of the commodity turnover) is characterized by a change in the forms of ownership and by the final sale of a product. The fifth form, which includes the turnover among individual members of society — the sale of the products of private plots and other types of private and cooperative labor activity by citizens — constitutes only 1.5 percent of the country's overall commodity turnover. In the near future, as a result of expansion and particularly in this type of activity by the population, we can expect definite growth in this particular indicator. Obviously, we do not have in mind here the possibility of radical changes that will affect the role played by this form of trade in commodity turnover.

Commodity turnover can be singled out from the standpoint of being an object of sales: means of production created at state industrial enterprises; agricultural output; consumer goods. Commodity turnover within our country has been organized taking this factor into account. The sale of means of production created at industrial enterprises is carried out by the all-state system of logistical supply, which presently accounts for the largest (more than 50 percent) of the country's commodity turnover. The need for improving substantially the system of logistical supply and transforming it into a flexible economic mechanism which will ensure the stable and rhythmic functioning of the national economy as a whole was pointed out during the 27th CPSU Congress. The specific realization of this instruction must be ensured by the All-Round Scientific and Technical Program for Developing the Logistical Supply System for the 1986-1990 Period and for the Period Up to the Year 2000. It calls for a solution for the task concerned with achieving more complete balance in the production and marketing of output, reducing the multi-channel nature of its distribution, strengthening the role played by USSR Gossnab in eliminating shortages and raising the quality of the products produced, ensuring resource conservation in the national economy and others. An important task of USSR Gossnab is that of active assistance in the establishment of direct and extended relationships between producers and consumers on a contractual basis and in strengthening delivery discipline. During the 12th Five-Year Plan, the volume of product deliveries on the basis of direct and stable relationships will increase compared to the previous five-year period by more than 12 percent and amount to 51 billion rubles annually. At the present time, 12,000 consumers and 6,700 suppliers have been converted over to direct relationships (4). On the basis of long-term contracts, the organizations of Gossnab receive from the industrial enterprises more than 70 percent of the products sold through this system (5).

Substantial shortcomings in the work of USSR Gossnab, which were manifested very clearly during the last two decades, disrupted the rhythm of resource deliveries to

enterprises that were needed for production. A negative tendency took root directed towards the acquisition of equipment, raw materials and other raw materials for laying aside and actually towards the immobilization of tremendous national economic resources.

Under such conditions, a greater need developed for authorizing enterprises and organizations to sell and purchase freely the needed means of production, in the interest of ensuring the efficient use of resources. In 1987, in the form of wholesale trade, the plans called for the sale of more than 10 billion rubles worth of products and by the end of the five-year plan this indicator will increase by a factor of 8-9, mainly as a result of the conversion over to free trade in the means of production by more than 60,000 consumers. In addition to USSR Gossnab, the inter-branch systems of supply and marketing of USSR Goskornefteprodukty, RSFSR Gossnab and USSR Gosagroprom [State Agro-Industrial Committee] and also departmental systems for supply and marketing are carrying out supply and marketing activities.

The sale of agricultural goods is being carried out by means of state purchases of agricultural products in the form of raw materials for socialist industry (almost 65 percent of all of the agricultural products sold and consumer goods for the population. State purchases are being carried out using the contractual method, which supplements and defines more precisely the plan for purchases and defines their order and conditions. Following the July (1958) Plenum of the CPSU Central Committee, state purchases are the only form for the procurement of agricultural products. It is known that they assumed various forms during the different stages of socialist construction: surplus-appropriation system, tax in kind, contractual arrangements (which finalized the link between state industry and an individual farm), mandatory deliveries, state purchases and so forth.

State purchases are being carried out by a number of ministries and departments and also by consumer cooperatives. Roughly 90 percent of the marketable agricultural output is being sold through the system of state purchases. USSR Gosagroprom is responsible for the principal bulk of the centralized state purchases of agricultural products and consumer cooperatives — for decentralized purchases.

As is known, a number of legislative documents have been adopted in recent years directed towards strengthening the food base and expanding both the centralized and decentralized purchases of food goods. In particular, the plans call for the meat produced on the private economy and sold through consumer cooperation to be counted towards fulfillment of the purchase plans by kolkhozes and sovkhozes. They are also authorized to sell to consumer cooperation and at kolkhoz markets, with credit being extended towards fulfillment of their annual plans, products in the amount of up to 30 percent

of the planned purchases of potatoes, fruit and vegetables. These same products, when produced over and above the plan, can be sold fully through both of the mentioned channels (6). In the interest of improving the sphere of supply for the population, those resources left over after fulfilling the plans for delivering meat, milk and other products to the all-union and republic funds are placed at the disposal of the local organs.

In familiarizing the students with the actual data, we consider it useful in particular to report the following: in 1986, USSR Gosagroprom purchased 20 million tons of livestock and poultry in live weight (108.7 percent of the 1985 level), milk — 71.8 million tons (105.5 percent) and eggs — 53.6 billion units (105.7 percent). At the same time, the plan for grain purchases was fulfilled by 91.8 percent, sugar beets — by 85 and sunflowers — by 88 percent (7).

The sale of consumer goods constituted almost 38 percent of the country's overall commodity turnover. It is being carried out in state, cooperative and kolkhoz forms, with the proportions in commodity turnover (in prices adjudged to be uniform for all of the trade forms) being 72.7, 26.2 and 1.1 percent respectively. It bears mentioning that the products of private plots are being sold for the most part on the kolkhoz market, with the kolkhoz proportion of the commodity turnover of this market barely reaching 2 percent, as a result of which the validity of the very term "kolkhoz market" is open to question.

Public catering occupies an important place in the trade turnover in consumer goods. Its special feature — a combination of three functions: production, sales and the organization of product consumption in the trade halls of enterprises.

Commodity Turnover and Consumption

Commodity turnover, being an intermediary between production and consumption, exerts a substantial effect on the volume and structure of consumption. Thus the timely and rhythmic delivery of the means of production ensures continuity in the production process and a savings in the material resources of society and in this manner it raises the effectiveness of reproduction and promotes an acceleration in socio-economic development.

Commodity turnover, by means of its active reverse effect on production, must ensure the best structure for it while taking into account the needs of the consumers. Under the conditions imposed by the former economic mechanism, with its inherent relationships between a producer and consumer, the role played by commodity turnover was undermined substantially. One of the most important aspects of the present improvement in the economic mechanism has to do with activating it in a

decisive manner. Here, in this lecture, special importance is attached to revealing the position advanced using actual data that is hopefully close to the students in terms of branch or territorial signs.

More than 90 percent of the consumption fund in the USSR is being realized through trade and this defines its eminent role in raising the well-being of the people. A judgment can be made regarding changes in the sphere of consumption based upon the indicators for commodity turnover. For example, in pre-revolutionary Russia the retail commodity turnover per inhabitant was greater in the city by a factor of 16 than it was in the countryside. Today (in 1986) the corresponding ratio is 2.2:1. The proportion of non-food goods in the retail trade volume increased during the 1940-1986 period from 37.0 to 52.9 percent. In the process, an improvement took place in the structure of food purchases. Compared to 1960, the per capita consumption of meat in 1986 increased from 39.5 to 62.4 kilograms, fruit and vegetables — from 22 to 56 kilograms and eggs — from 118 to 268 units. Similar structural improvements are taking place in the trade in industrial goods. Thus, over the past two five-year plans the supply of television sets for the USSR population increased by a factor of 1.3, refrigerators and freezers — by a factor of 1.5 and vacuum cleaners — by twofold. At the present time, 96 out of every 100 families have radios and television sets, 91 — refrigerators and 70 — washing machines. One out of every seven families has an automobile, one out of every four — a motorcycle or motor scooter and one out of every two families — a bicycle or moped.

A new level from the standpoint of quality has been achieved by the population in the consumption of goods and services, one which reflects satisfaction of priority requirements and a conversion over to the satisfaction of requirements of a secondary nature (when a purchaser acquires replacement goods or items which supplement products already available). The requirements for goods and services of a high quality nature are becoming more persistent in nature. During the years of the 12th Five-Year Plan, the plans call for an increase by a factor of roughly 1.4 in the production of improved quality goods and by the year 2000 — by a factor of 1.9-2.

Nevertheless, a rather substantial structural-assortment imbalance continues to persist in today's commodity turnover. The overall volume of unbalanced demand and supply in the case of consumer blessings, which is being experienced directly in all areas, amounted to an impressive sum by the end of the past five-year plan — more than 70 billion rubles. At the same time, a substantial increase took place in commodity stocks in trade and industry: their level, according to data available at the end of 1980, amounted to 96 days of retail commodity turnover and by the end of 1985 — 117 days (8). In the case of a number types of goods and assuming adequate production volumes for them on the whole, shortages are still being experienced in certain types and items. The decisive elimination of shortages in the principal types of

goods, especially those which are mass produced and ensuring that rational consumption conforms as much as possible to the scientifically sound norms will promote the implementation of the USSR Food Program for the period up to 1990 and the All-Round Program for Developing the Production of Consumer Goods and Services for the Period From 1986 to the Year 2000. It should be emphasized that extreme importance is attached to including fresh factual material, including local information, in this portion of the lecture: the students encounter retail trade and its status on a daily basis and to a large extent they are able to make a judgment regarding the reality of restructuring on the whole based upon such retail trade.

There is still one other important aspect which ideally should be born in mind by the lecturer — the effect of retail trade on reducing the workload concerned with management of the domestic economy, on increasing the free time of people and, it follows and upon the prerequisites for the formation of a thoroughly developed personality. The computations on time expenditures for the purchasing of goods are very revealing in this regard. In the USSR, according to available estimates, such expenditures amount to from 40 to 65 billion hours annually, or roughly 130-140 million hours daily. This constitutes a huge reserve for the efficient use of time!

The Market Under Socialism and Its Planned Organization

The handling of this question should ideally commence by stating that the "market," according to V.I. Lenin, "is a category of a trade economy" (9), with the latter being the "link between the producers that was established by the market" (10) and the link through sales and purchases and through the relationships which develop between the purchasers and sellers and which are expressed in the reimbursement of expenditures and in the satisfaction of requirements based upon equivalent repayment.

In a socialist economy, a market can be defined as a system of economic relationships between purchasers and sellers in the reproduction process and one which encompasses the sphere concerned with the exchange of goods and is used in a planned manner for the purpose of satisfying more completely the increasing material and spiritual needs of the members of society and the all-round personal development of individuals. The socialist market is regulated in a planned manner based upon the use of all of the economic laws of socialism, including the law of supply and demand. There is absolutely no justification for viewing this law, as is being done directly or indirectly in some articles appearing in the press, as a chief regulator of the socialist economy. With such an interpretation and despite theory and practical experience, the latter inevitably appears to be developing in a spontaneous manner rather than on a planned basis.

According to K. Marx's thinking, demand is a "requirement for goods presented at a market" (11) and it is not just any requirement but rather only one which can be satisfied and is ensured by a monetary equivalent, that is, an ability to pay. As noted by F. Engels, "for an economist, a true representative of demand and a true consumer is only that individual who can supply the equivalent of that which he receives" (12). Since marketable production and money are retained under socialism, the mentioned overall situation remains in force, albeit with very important reservations that are associated with the availability of freely presented services from the social consumption funds; here the demand of the population is not associated with the availability of a particular individual.

Supply — goods which are available on the market or can be delivered there. A distinction is made between real-physical (by assortment) and value (expressed in money) forms of supply. The volume and structure of supply are determined by the production amounts and potential and also by the proportion of goods intended for sale on the market (a portion of the output produced is consumed in production). Supply is formed by the production results for a given period, commodity stocks and imported goods, all of which are influenced by reimbursement for trade losses, expenditures for discounts and price reductions.

A most important aspect of market regulation is that of establishing a correct ratio for demand and supply. This question, as one might expect, cannot be avoided. In this regard, the students should be told why a certain point of view expressed over a period of time in economic literature is incorrect. According to this view, under socialism demand must exceed supply. The carrying out of normal and uninterrupted sales of goods requires commodity stocks and in this instance supply must exceed demand. In turn, production must be greater than supply — while taking into account that output which is used for compensating for natural losses associated with the sale of goods, expenditures for discounts and planned price reductions and also the amount by which exported products exceed imported goods.

In revealing the essence of the law of supply and demand, it should be pointed out that it expresses an objective need for conformity in time and space in the cost and real-physical forms of demand and supply and the dependence of prices upon this conformity when determining the degree to which commodity supply exceeds effective demand, both in terms of volume and the structure of the marketable output produced. The law of supply and demand manifests itself as a trend.

In addition to an internal market, each socialist state has a foreign market as a result of conducting trade with other countries. Under socialism, foreign trade actively promotes solutions for those economic and political tasks confronting a socialist state during various stages in its history. During the period devoted to developing the

principles of socialism in our country, foreign trade promoted the carrying out of socialist industrialization and the collectivization of agriculture. Commencing in 1932, measures were implemented aimed at limiting imports of machine-engineering products which could be produced at Soviet enterprises. As a result, in 1932 the importing of machines compared to domestic production declined to 7.3 percent compared to 20 percent in 1929. With the formation of the international socialist economic system, the role and importance of foreign trade have been increasing, as borne out by an increase by a factor of 6.4 in the physical volume of USSR foreign trade during the 1970-1985 period alone (in actual prices), with an increase by a factor of 2.2 in the gross social product. According to 1986 data, the number of USSR foreign trade partners was 145 countries; the country's foreign trade turnover, which amounted to 2.9 billion rubles in 1950, reached 130.9 billion rubles (in current prices). This sum included: exports — 68.3 billion rubles and imports — 62.6 billion rubles; socialist countries accounted for 67 percent of the foreign trade turnover of the USSR (13).

A strengthening of the role played by foreign trade is conditioned by a number of factors. First of all, there is the growth in the internationalization of modern productive forces under the influence of more intense international division of labor. The assortment of international production includes tens of millions of different types of goods. All or almost all of them are needed in many countries and quite often in every one of them. But in many instances the production of a particular product is extremely inefficient from an economic standpoint or simply impossible (owing to the absence of the required supplies of raw materials, because of other natural factors and so forth). The solution — a mutual (and mutually advantageous in the case of socialist countries) exchange of goods and foreign trade. Even F. Engels noted: "Large-scale industry, by virtue of the fact that it has already created an international market, binds all of the nations of the world together, especially civilized nations, in a manner such that each of them is dependent upon what the other nations are producing" (14). Secondly, the unfolding of the NTR [scientific-technical revolution] is exerting a strong influence upon the development of foreign trade: it is practically impossible for everyone without exception to achieve this. But it is possible to acquire it on the foreign market through the purchase of finished products or the knowledge and experience required for their production. Understandably, this type of purchase must be accompanied by appropriate sales. For the USSR and other Socialist Bloc states, the mentioned circumstances are especially meaningful in light of the conversion of the national economy over to the path of intensification. Thirdly, an intensification in foreign trade relationships brings about an expansion and strengthening of economic integration among CEMA member countries, based upon multilateral long-term programs which tend to intensify the international socialist division of labor.

Fourthly, we must necessarily believe that the development of foreign trade is one of the factors for strengthening positive changes in the international arena and that it serves as a material prerequisite for achieving a firm peace.

Essence of Finances and Their Role in the Distribution of Social Product and in Improving the Proportions of Reproduction

In addition to the movement of goods in a socialist economy, an independent movement of money also takes place. During the reproduction process at enterprises, in branches of the national economy and in society as a whole, monetary funds are formed which function mainly in the form of finances.

Finances as an economic category appear as monetary relationships, by means of which the planned formation, distribution and utilization of monetary funds are carried out for the purpose of achieving expanded reproduction, raising the welfare of the people and satisfying social requirements. Finances encompass four groups of relationships: first of all, between socialist society on the whole (in the form of state financial organs) and individual enterprises, in connection with the enterprises obtaining monetary funds and making payments into the state budget; secondly, between various socialist enterprises according to mutual monetary accounts concerned with the sale and purchasing of products produced and the furnishing of services to one another; thirdly, between socialist enterprises and the workers assigned to them, who receive wages and other monetary payments; fourthly, between socialist society on the whole and its individual members, when paying taxes, insurance and other payments to the state and also when obtaining monetary funds from it (pensions, allowances, interest on investments and others). The role played by finances is revealed very briefly and clearly in the well known Leninist phrase: "...all of our radical reforms are doomed to failure if we are unable to realize success in our financial policies" (15). This statement is of great importance under the modern conditions of revolutionary restructuring.

Finances fulfill three functions in a socialist economy: operational (the existence of which is not recognized by all economists), distribution and control-stimulating (16). The first function has to do with ensuring that the country as a whole and each ministry, association and enterprise are supplied with financial resources and have operational information on their movement. The second function concerns the planned distribution and redistribution of the total social product and national income. The third function of finances consists of exercising economic control over the process concerned with the formation, distribution and use of monetary resources in the socialist economy. Financial resources are the object of the effect of finances and they appear as a portion of

national property expressed in money, that can be utilized or is truly being used for the expanded reproduction of material product and maintenance of the non-productive sphere. Financial resources include net income, amortization deductions for renovation, taxes and voluntary payments by the population, the working capital of economic elements that is made available as a result of production intensification and turnover, the unused portion of economic stimulation funds, the financial reserves of industrial associations, a portion of the resources of social organizations and others.

It is useful to direct the attention of the students to the fact that financing of the national economy during the period when the socialist economy was undergoing development was carried out mainly by means of budgetary sources and centralized capital investments. A law adopted on 9 March 1934 established the principle of irreversible financing of capital construction. Subsequently, as the national economy developed further and the savings fund increased in volume, and increase took place in the proportion of internal funds of enterprises for the financing of capital expenditures (for the modernization and expansion of existing enterprises, supplementing working productive capital and for other needs).

The intensification of social production and an increase in its efficiency presupposes an expansion and strengthening of the financial independence of enterprises. V.I. Lenin considered an "expansion in the independence and initiative of each large-scale enterprise in the work of handling financial funds and material resources" (17) to be an objectively necessary condition for successful socialist management.

It is important to emphasize that the right of enterprises to spend money earned in an independent manner does not signify rejection by the state of control over the effectiveness of expenditures. Under the new conditions, the anti-expenditure trend in the financial mechanism must be intensified (18). The latter appears as a totality of instruments for use by the state on a centralized basis in regulating the processes concerned with forming the income of socialist enterprises and the distribution and expenditure of such income. This income (excluding kolkhoz funds) amounted to 301 billion rubles in 1986 (compared to 1940, they had increased by a factor of almost 21), including the profit of socialist enterprises — 190.9 billion rubles (overall growth by a factor of 57) (19). Under the conditions of accelerated socio-economic development for the country, importance is attached not only to raising income but also to how this income is used and ensuring that it is not immobilized in the form of incomplete construction, above-normal supplies of uninstalled equipment or commodity stock supplies, that is, a proper return from such income should be ensured.

Finances promote improvements in the degree of planning for expanded socialist reproduction through the

creation of a reserve (insurance) fund, intended for preventing the consequences of disproportions in the national economy.

Under conditions involving an acceleration in the country's socio-economic development, a substantially greater role will be played by finances in achieving scientific-technical progress and improving the proportions of social reproduction. NTP (scientific-technical progress) is financed by means of the public resources of production enterprises (associations) and the centralized fund for budgetary resources. In the ministries and departments, a unified fund for the development of science and engineering is being created for the financing of scientific-research and experimental-design work (NIOKR) that is associated with the development and mastering of new types of products and also for financing additional expenditures for improving the quality of output. For financing especially important scientific-research work that involves considerable expenditures, use is being made of state budgetary funds. This is creating a more stable and flexible mechanism for ensuring the availability of financial resources for NTP (20).

Finances serve as an economic lever for optimizing the proportions for expanded reproduction and particularly between the funds for consumption and savings in national income. As it continues to increase, a greater portion of the consumption fund is being employed for satisfying the needs of workers from the social consumption funds, as borne out, for example, by the following figures: from 1970 to 1985, national income increased by a factor of 1.9, the consumption fund — by a factor of 2.07 and the social consumption funds — by a factor of 2.3. With the aid of budgetary funds, improvements are being realized in the proportions between productive and non-productive savings and reserves, between social production subunits of Groups I and II and between Groups A and B in industry and at the same time priority development of the more progressive branches is being achieved.

Finances are being used to stimulate the accelerated development of an economy in economic regions which are rich in natural raw materials and energy resources but which lack sufficient savings of their own (here we have in mind mainly the eastern regions) and this is promoting the formation of optimum territorial proportions for social production.

The totality of financial institutes which organize the formation, distribution and use of monetary funds constitutes a financial system. It includes two types of relationships: the finances of socialist enterprises and national economic branches and state finances. The latter form the state budget, the social insurance budget and the fund for state property insurance. A most important element of state finances is the state budget.

We must obviously discuss in somewhat greater detail the essence of the state budget and the role it plays in implementation of the social reproduction process and in improving the well-being of the people. Importance is attached to revealing that the state budget appears as the principal form for the planned formation and use of the centralized fund for monetary resources; it is an instrument for the economic policies of a socialist state and its principal financial plan, by means of which the proportional development of the national income is regulated. The state budget encompasses the union budget, the budgets of union republics and local budgets (oblasts, cities).

The Law Governing the USSR Budget for 1988 states that the income from state and cooperative enterprises and organizations will amount to 407,253,959,000 rubles. Expenditures for financing the national economy are called for in the amount of 241,035,473,000 rubles and the amount of income over and above the total amount of expenditures will amount to 2,457,930,000 rubles (21).

The USSR state budget constitutes a considerable portion of the national income: over a period of 20 years (1965-1985), it increased from 53.7 to 73.6 percent. However, this trend must not be viewed as constant: during some periods (for example, from 1959 to 1966), a reduction in the mentioned indicator was observed. It can be assumed that a reduction in the portion of the national income in the state budget may take place during the next few years, since as a result of the development of cost accounting relationships and the conversion over to self-financing an increase will take place in the proportion of profit left at the disposal of enterprises and an expansion will occur in the long-term credits for capital investments.

Under socialism, the socio-economic essence of the state budget is conditioned mainly by the fact that it is based upon public ownership of the means of production and thus 92 percent of the state budgetary income consists of receipts from enterprises of the socialist economy, with tax receipts from the population representing only a small portion (8 percent) of the source for the formation of this income. It is useful to recall that 90 percent of the income portion of the state budget in a capitalist society consists of taxes and that more than 50 percent of this overall amount derives from taxes upon the population. An American family spends roughly 40 percent of its earnings in the form of taxes; a Soviet worker's family — less than 9 percent and a peasant family — slightly more than 9 percent. A definite advantage of socialism is the returnable nature (in accordance with the financing principles) of taxes imposed upon the population, since these funds, which accumulate in the state budget, are used for satisfying the needs of the people.

The principal forms for payments into the state budget of funds from socialist enterprises should be disclosed during the lecture — payments from profits, turnover

tax, income tax from kolkhozes. In recent years, a reduction has taken place in the proportion of turnover tax compared to the overall total of state budgetary income — from 58.7 percent in 1940 to 22.1 percent in 1987. This was conditioned to a large degree by a curtailment in the production and sale of alcoholic beverages.

The characteristics of a state budget under socialism include the following: stability and guaranteed resource payments, the formation of income from internal resources, a lack of deficits and steady growth. A comparison is appropriate at this point: The deficit in the federal budget in the U.S.A. in 1986 exceeded 200 billion dollars and in France — 145.3 billion francs (22).

Credit and the Credit System of a Socialist Society

In carrying out expanded reproduction under socialism and in addition to the budgetary method for the distribution of monetary resources, an important role is played by credit relationships. Distinct from budgetary financing, the credit method assumes the use for reproduction needs of temporarily free capital and other resources of a socialist society under the conditions of reimbursement, urgency, payment ability and others. As an economic category of the socialist economy, credit appears as a system of economic relationships which express the planned accumulation by the socialist state of temporarily free monetary means of enterprises, the state budget, social organizations and the population and their planned use based upon the principles of payment capability, urgency, reimbursement, differentiation, material support and of a special purpose nature.

At the present time, the basic principles of credit are often being violated. Enterprises are receiving loans even at those times when their financial difficulties are stable in nature. Roughly one fifth of the short-term loans lack direct material support and one third of the loans issued are not repaid on schedule and in the final analysis a considerable number of them are written off. Under these conditions, the banks form financial resources based upon savings bank deposits by the population, which reached 242.8 billion rubles in 1986 (23) and in this instance became a materially unsupported source. It was by this means that credit investments increased for the most part over the past 15 years. During the 1970-1985 period, surplus loans increased by a factor of 4.1. Under such conditions, the stimulating effect of credit on raising production efficiency declined considerably. In order to use credit as a factor for acceleration, it was necessary to create a favorable regime for the issuing of credits to enterprises which were operating well. Towards this end, the enterprises of Gosbank were authorized commencing in 1986 to raise or lower, up to 50 percent, the interest rate for credit (24). Measures for strengthening the principles of credit are organically included among the more important measures for restructuring the economic mechanism.

Credit in a socialist society fulfills such functions: accelerating the turnover in working capital, reducing the amount of time required for the process of converting over from a commodity to a monetary form and capital turnover on the whole; support for loan recipients in the form of monetary funds for expanding production and its fixed and working capital; exercising economic control over the circulation of funds and the course of plan fulfillment; the substitution of credit operations for cash payments. Credit functions are carried out through banks — state institutions which serve monetary circulation and credit relationships. The totality of socialist banks engaged in carrying out financial and credit relationships forms the financial-credit system of socialist society. The credit investments of USSR banks at the end of 1986 amounted on the whole to 452.6 billion rubles, including short-term loans — 356.6 billion and long-term loans — 96.0 billion (25). Four principal functions of the banks can be singled out: issuing of credits, carrying out of non-cash transactions among enterprises, placing money in circulation and cash transaction services.

The issuing of credits, as an economic control method, promotes the intensification of socialist production, a balancing of plans, the stimulation of scientific-technical progress, mobilization of internal resources and the redistribution of the total social product. With the aid of credit, a socialist society ensures the achievement of objective proportions in developing the branches and elements of the national economy. First of all, credit is issued to the more progressive branches or to branches the production volumes of which, during a given period and for certain reasons, are not in keeping with the social requirements. Credit relationships promote the timely development of new capabilities, improvements in quality and in the assortment of products, optimization of the territorial proportions for social reproduction, a more efficient distribution of productive forces throughout the country and an equalization in the level of development for individual regions.

Credit must be employed for achieving a savings in working capital and optimum organization of the working capital fund and an acceleration in the turnover rate for such capital. It is interesting to note that enterprises which are built by means of long-term credit or with the use of bank loans usually erect and master their productive capabilities more rapidly than those which obtain their resources on an irretrievable basis. Of the overall number of enterprises erected with the aid of credit, up to 85 percent were placed in operation earlier than the normative periods or in conformity with them (26). As a result of credit, enterprises have at their disposal, at any moment, the total amount of working capital needed for fulfilling their plans. It is sufficient to state that the proportion of credit in the sources for forming the working capital of the national economy exceeds 57 percent and in industry — 51 percent.

Credit is conditioned by the possibility of a continuous conversion of the monetary form of resources into the

material form. Almost 70 percent of all payments for goods and services is carried out from special loan accounts. The credit obtained for goods to be shipped enables enterprises to carry out production without having to wait for monetary payments to be made from earnings for the goods that were shipped. It is interesting to note that the time between the shipment of products to a customer and the payment by him for such products amounts on the average to 100 days, for goods of a seasonal nature — 6 months and for goods imported on a long-term basis for regions of the Far North — 2-3 years. Credit makes it possible to economize in the use of cash, it accelerates the turnover in cash and it reduces marketing costs.

Monetary Circulation in a Socialist Society

Under socialism, money, in serving the process concerned with the production, distribution, exchange and consumption of the total social product, carries out an independent movement which forms monetary turnover. It represents a specific movement. A feature of monetary turnover is its continuity and fluid nature. Without halting for a moment, it responds effectively to events taking place in the social life of the country (the manner of fulfillment of administrative plans for economic development, miscalculations in the plans, demographic processes, caprices in style, weather and in the areas of traditional recreation and many others). Monetary turnover is subdivided into two spheres: cash and non-cash transactions. The first encompasses the sale of goods to the population; the payment of wages, bonuses, pensions, allowances; monetary payments for the work of kolkhoz members; payments by the population for services; movement of deposits in savings accounts. The second includes computations between enterprises for goods and services; computations for the construction, expansion and renovation of fixed and working capital; payments into the budget and appropriations from it, the obtaining and liquidation of bank credits. Non-cash transactions constitute the largest proportion of monetary turnover. The circulation of cash, although it constitutes a smaller

INDUSTRIAL DEVELOPMENT, PERFORMANCE

Lack of Statistics in BSSR Yearbook Criticized; Official Responds

18200112 [Editorial Report] Minsk SOVETSKAYA BELORUSSIYA in Russian on 27 January 88 carries on page 2 a 200-word letter from S. Sidor, candidate of geographic sciences, under the heading "Restricted Information." Sidor contrasts the 1976 edition of "Industry of the Belorussian SSR" with those currently available, noting for example that only 22 pages were allotted for industry compared with 276 pages previously. "The BSSR State Statistics Committee has 'restricted' reporting on the dynamics of output for peat, oil, wood products, cloth and so on." He then asks "Is it possible

that the figures have fallen into the ranks of government secrets? Than why can one find them in analagous statistical yearbooks for the Ukraine, Latvia, Estonia, and other republics?" He concludes by stating that his comments are not the grumblings of an unusually curious person, but that this information is needed as a statistical support for scientific research.

On 16 March 1988, SOVETSKAYA BELORUSSIYA publishes on page 2 a 100-word response by BSSR State Statistics Committee first Deputy Chairman M. Dichkovskiy under the rubric "After Criticism." He admits that the number of indicators presented in the industrial section of the BSSR Statistical Yearbook is significantly less than in the branch handbook "Industry of the Belorussian SSR" issued in 1976. Dichkovskiy explains that the branch handbook has a "wider program" than the section in the statistical yearbook and that publication of some indicators has been limited. Broader publication of statistical indicators is envisioned for the 1987 edition of the yearbook. "Considering the desires of specialists and scientific workers to have more detailed information available on the work of Belorussian SSR industries, the BSSR State Statistics Committee intends to propose that the BSSR State Publishing Committee issue the branch handbook "Industry of the Belorussian SSR" in the open press summarizing the work in the 12th five-year plan."

REGIONAL DEVELOPMENT

Long-Term Program for Developing USSR Far East Detailed

18200132 [Editorial Report] Moscow PLANOVOYE KHOZYAYSTVO in Russian Number 3 for March 1988 carries on pages 94-98 a 3700-word article by Candidate of Economic Sciences N. Singur entitled "The Far East:

Development of the Productive Forces." Singur describes the low level of development in all sectors of the region's economy and the poor use of natural resources. Existing enterprises are handicapped by obsolete equipment, backward technology and a severe shortage of manpower. Housing, schools and other services are also limited, making the attraction of qualified workers even harder.

Singur singles out Gorbachev's 1986 visit to the Far East and his Vladivostok speech as the impetus for working out a long-range program for improving economic and social conditions in the region. The measures adopted include the following:

1. Better usage and less waste of mineral and raw material resources, including a production cycle for creating semifinished and finished products.
2. Accelerated development of the fuel-energy complex, including coal, oil and natural gas and petroleum refining facilities. Complete satisfaction of demand for fuel and electric energy.
3. Further development of ferrous metallurgy.
4. Formation of a highly developed and comprehensive sector for exploiting ocean resources, especially fish.
5. Increasing the Far East's export potential and its role in the country's foreign economic ties.

Singur devotes the balance of his article to a detailed exposition of the points mentioned above. He notes that local party and soviet organs will be called upon to play an important role in implementing the program. He also calls for participation from central economic and administrative organs, including Gosplan.

AGRO-ECONOMICS, POLICY, ORGANIZATION

Commentary on Draft Kolkhoz Charter

18240049a Moscow IZVESTIYA in Russian 14 Jan 88
p 1

[Commentary by V. Vladimirov: "A Charter for Kolkhoz Life"]

[Text] The draft of the new Model Kolkhoz Charter was published a few days ago. The USSR Gosagroprom [State Agroindustrial Committee] and the Union Kolkhoz Council deemed it necessary to introduce into the presently existing charter additions and changes which have been dictated by the fact that many of its paragraphs have become obsolete and no longer correspond to the changes which are occurring in rural life. Now, on the eve of the Fourth All-Union Congress of Kolkhoz Members, it is extremely important to weigh in a multifaceted manner and collectively discuss the new document—this essentially most important law of kolkhoz life. Such discussions have already been held at the republic-level congresses of kolkhoz members.

The draft emphasizes that kolkhozes constitute one of the basic links of the integrated, national-economic complex; their operation is built on a foundation of democratic management principles and strict cost accounting. Kolkhozes may carry out any activity if it corresponds to their assigned tasks and does not come into conflict with the law. This is an important, cardinal factor—recently we have been hearing a great deal about expanding the boundaries of kolkhozes' independence, about the fact that we must grant more rights to their leading officials, who are clutched at and hemmed in from all sides by prohibitions and instructions.

...Once I had occasion to witness a sharp dialogue in the office of Kerim Akhmedyarov, chairman of the Turkmen 40 Years of the TSSR Kolkhoz. Someone from the oblast center who was checking up on this kolkhoz put a report on the chairman's desk which stated that the kolkhoz had allowed an over-expenditure of money in constructing a lemonarium. And because of this it would be punished by having its material-incentive fund reduced. "Clear your papers off my desk," said Akhmedyarov. "What do you mean—clear them off?" the inspector replied indignantly. "This is a serious document." "For us the most serious document is our kolkhoz charter. And in this construction we haven't violated it one bit...."

This was long before the beginning of perestroika, before K. Akhmedyarov, one of the most authoritative rural leaders in the republic, became a Hero of Socialist Labor. Now I think: just why did that little scene come to mind? Evidently I was impressed by the man's boldness, by the determination with which he spoke up for the interests of his people, for the kolkhoz's rights as stipulated in the charter.

Yes, we ourselves are, most likely, to blame for the fact that the charter has gradually, imperceptibly, lost its force and authority. According to the charter, the kolkhoz members themselves have the duty of administering the farms' economic affairs. But what happens in real life? Today a directive is issued by the bank, tomorrow—by the rayon financial division, and the day after tomorrow RAPO [the rayon agroindustrial association] interferes. Alas, compulsion and outside interference have become the norm rather than the exception.

The draft of the new Model Charter focuses attention on expanding the rights of the lower-level collectives and on inculcating proprietary feelings in people. Nowadays each kolkhoz member can and should participate in managing production, in working out and adopting those important solutions which affect him as well.

And there is another important matter, an essential addition which will undoubtedly be of interest to many persons. Now the Model Charter imposes no size limitations on kolkhoz members' farmstead plots. The latter are determined in each individual case by a general meeting.

The draft of the Model Charter also contains such words as self-support, self-financing, and self-administration. All of them are, if I may put it this way, from the glossary of perestroika; they reflect the spirit of the times in which we live.

But I would like to say one more thing. No matter how timely and correct the paragraphs are, no matter how profound the thoughts we put into them, the main thing—the most important thing—is to see to it that the charter becomes a genuine law of kolkhoz life, a law which people respect, heed, and which everybody will carry out rigorously.

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Naumov on Agroprom Mastery of New Economic Mechanism

18240049b Moscow IZVESTIYA in Russian 19 Jan 88
p 2

Interview with V. Naumov, first deputy chairman, RSFSR Gosagroprom, by V. Gavrichkin: "Be Responsible for Results: Agroprom Masters New Economic Mechanism"]

[Text] V. Naumov, first deputy chairman of the RSFSR Gosagroprom [State Agroindustrial Committee], talks about the conversion of the Russian Federation's APK [Agroindustrial Complex] to cost accounting and self-financing.

[Question] Vladimir Ivanovich, in this brand-new year enterprises and organizations of the agroindustrial complex in a whole series of oblasts, as well as the full complement of gosagroproms of the Baltic republics,

Belorussia, and the Russian Federation, are beginning to live on money which they have earned for themselves. It's a sharp turn and, let's speak frankly, not an easy one. But you'll agree that to shift Russia's gigantic agroprom onto an independent balance sheet all at once...

[Answer] You think that we're taking a risk by running on so far ahead?

[Question] No, but what I do mean is that this very bold decision will tangibly affect the interests of the 15 million persons who are presently employed in this republic's APK. Moreover, it will affect them unevenly because far from everyone works at enterprises or organizations which are economically well-off. For example, in Pskov, Smolensk, Novgorod, and Kostroma oblasts the financial situation of many farms is such that even if they were to be "sold off at auction," you would hardly cover half their debts. In order to shift to self-financing here, you need to have impressively weighty justifications.

[Answer] We do have them. Thanks to the creation of Gosagroprom, the agroindustrial complex today is the only economic sphere in the country which also has a functioning, vertically integrated system of intersectorial administrative organs. Of course, just bringing the APK sectors together under one "roof" still does not mean that we have a unified production economic organism. But the integration processes are moving forward. And the results are also remarkable.

For example, during the two years prior to the agroprom's creation, the growth of the gross production output in this republic amounted to scarcely more than 1 percent. During the last two years this indicator increased to 6.4 percent, and if we compare it to the average annual level during the 11th Five-Year Plan, it constituted a rise to 9.7 percent. Farms operating at a loss became fewer in number, and their profitability became higher. And, most importantly, for the first time in many years there were noticeable trends toward a lowering of production costs.

It is impossible to stop on a steep, upward slope. We have not stopped; we have steadfastly moved on to new organizational-management solutions. Various production and scientific-production structures have been successfully tested in practice. More than 60 just such formations as the Kuban Agro-Combine and the Novomoskovskoye Agroindustrial Association of Tula Oblast are already operating in this republic.

Or take another example. For two years all the farms in the Stavropol Kray and another six rayons in various zones of the republic have been operating on cost accounting and self-financing. During the first year they increased production output by an average of 15 percent and, what is particularly important, reduced its production cost by 13 percent. Moreover, labor productivity rose by 23 percent, while three times as much profits

were received as before. Add to this many hundreds of labor collectives which have introduced various forms of contracts, reciprocal accounts using cheques, paying wages out of gross income—and the following point will become clear: the concept of the new economic mechanism in our country is not simply a theoretical one. Solid experience has been accumulated, and the time has come to utilize it widely.

[Question] Many persons consider that we should continue to take a gradual approach as we proceed further, i.e., to convert to the economic management methods only in certain specific oblasts...

[Answer] That's a mistake. In 1989 it is planned to have the entire Gosagroprom already converted to self-financing. Would postponing things for a year provide us much? Moreover, a gradual conversion by stages would sharply limit the possibilities for switching funds and resources around.... Here's an example. Enterprises of Stavropol Kray's agroprom now have 137 million rubles of unencumbered money. Relatively unencumbered, of course; something will be found to spend it on. But now, you know, not a kopek of this money can be taken. It's impossible because they have cost accounting here; this money was earned. To violate this prohibition would mean to undermine the very idea of self-financing.

[Question] With earned money—that's clear enough. But in speaking about switching funds around, you, of course, had in mind primarily budget allocations. But they are limited as follows: if some is added in one place, an equal amount must be taken away from some other place. Can all these holes be covered by a budgetary "blanket"? How does Gosagroprom intend to use money from the state budget?

[Answer] Of course, no budget would survive if money were to be given out as it was before. The essence of the new financing mechanism lies in sharply curtailing the sphere of direct budget allocations. Funds will be directly allocated from the state budget solely for building or renovating facilities which cost more than 4 million rubles, for land reclamation, laying intra-farm roads, and certain other purposes. The remaining, incomparably larger part of the budgetary money which had previously been channeled into financing capital investments, maintaining preschool institutions, making up the differences in prices for equipment, mineral fertilizers, paying markups on the purchase prices of heavyweight young cattle, and other purposes, will be utilized differently. Kolkhozes and sovkhoses will receive this money in a differentiated manner, taking into consideration the economic condition of each farm, in the form of markups on the purchase prices of agricultural products. The difference is substantial.

Of course, in the redistribution process, significantly more money for markups will be received by those farms whose financial status and production forces have been undermined to a greater degree.

[Question] To distribute money among autonomous republics, krais, and oblasts is, on the whole, not too complicated. It's more difficult in the cases of rayons and farms. Their economic situations are extremely variegated. Suffice it to say that the strong farms (those having a profitability rate of more than 25 percent) have concentrated approximately three-fourths of all the profits in their own hands. And three-fourths of all the loan indebtedness falls on the economically weak farms. Indebtedness is particularly high among kolkhozes.

[Answer] That's why it's important to create the same economic conditions for everybody and equal starting possibilities. But equal certainly does not mean that everybody will receive the same markups on their prices. The so-called resource potential must be the sole criterion as to who will receive money and how much. There are methods for computing this. Land fertility, level of material supply, labor resources, climatic and other conditions affecting the harvest are all taken into consideration. As a result, we obtain quite an objective picture of each farm's actual possibilities. On this basis, it's not too complicated to figure out who should receive markups on their purchase prices and how they should be distributed. The purpose of such work is to set an equally intensive task for each farm and to provide economic support which will allow it to be managed not only without losses, but even, by basing their efforts on their existing potential, to make a surge forward to a profitable operation.

Of course, enormous efforts will be required here by the agro-committees and RAPO [rayon agroindustrial association] councils.

[Question] In addition to the redistribution of budgetary funds, have any other provisions been made to extent economic aid to farms?

[Answer] Yes. Payments on long-term bank credits have been postponed for 10 years. Not completely, however. But approximately 60 percent of the total amount borrowed and which is scheduled to be paid back during the years 1987-1990. This frees up considerable resources, but we also must know how to distribute them. Those who are now able to pay for their credits should pay. We'll take it easy on those for whom things are hard, but they still will have to settle up their debts, even if only partially. Only in extreme cases do we intend to free people completely from the obligation to make payments.

[Question] Do the other reciprocal relations of the APK enterprises with the budget remain as before?

[Answer] They are now being construction on a rigorous normative foundation. For kolkhozes, sovkhozes, and other agricultural enterprises normative payments to the budget from profits or net income are being retained for

the years 1988-1990. For industrial and other enterprises and organizations payments are being set for producer goods, for labor resources, and from estimated profits.

It must be said that the APK processing industry is nowadays in a particularly difficult financial position: indebtedness here amounts to more than 18 billion rubles. Despite this, the financial organs annually extract as much as 70 percent of their planned profits for the budget. In order to contribute these funds to the budget, the enterprises are frequently compelled to take out new credits. It's high time that the republic's Gosplan and Ministry of Finance gave some thought to this problem. From them, as well as from the Agroprombank we would expect aid which is genuinely effective. In particular, we propose to free entirely from the obligation to make payments to the budget those enterprises for whom the level of profitability does not ensure expanded reproduction. According to our calculations, the group of payors should include enterprises with a profitability (on their producer goods) of 12 percent or more.

Furthermore, so that this entire economic structural component may have a guaranteed operation, the RSFSR Gosagroprom is setting up centralized insurance (reserve) funds and making contributions to them. Money from these funds will be used to provide general sectorial measures, various types of aid to farms, and, most importantly, to reimburse them for damage from natural disasters and other losses uncompensated by the Gosstrakh [State Insurance] organs. Such aid from the reserve funds, moreover, will not be free gratis but rather based on conditions that the amount of money taken will be returned by means of appropriate deductions to be contributed during profitable years.

[Question] Won't it then turn out that the entire burden of various types of payments will fall on the economically strong farms? Won't we thereby undermine their economy?

[Answer] No. The system of markups on prices and norms of extraction must leave each enterprise with the money necessary to develop its production and satisfy the collective's social needs. We are limiting deductions contributed to the budget and the centralized funds exactly as it is being done, for example, in Stavropol. There, the kray agroprom does not have the right to extract more than 20 percent of the profits from any farm and contribute them to the reserve fund.

There is also another firm requirement. In establishing markups, extra payments for farms, and the amount of money to be extracted from them, we must in no case proceed from an attempt to unfailingly ensure everyone with the possibility for equal profitability. Such a leveling approach could lead to attempts by means of the conscientiousness of some to cover the collective parasitism and mismanagement of others. Only the normative-resource method of planning can ensure equally

intensive demands on the use of production potential by each enterprise. I emphasize that this is the principal tool for evening out the economic conditions of management.

[Question] The intention is good. But where's the guarantee that the weak farms won't just eat up the markups and supplementary payments which they receive? This has already happened on more than one occasion. They take these funds, for example, and use them to supplement wages.

[Answer] They won't be able to do that. The wage fund is now likewise computed strictly according to the norms. Moreover, the bank won't furnish any money to a farm on which the increase in wages begins to exceed the increase in labor productivity. Wages will have to be earned.

Nobody should soothe themselves with the illusion that all they have to do is to introduce cost accounting and self-financing, and all their problems will be solved. These factors create merely a sound basis for utilizing the existing resource possibilities. In other words, unless every enterprise now introduces intra-farm accounting, contributes land, farmsteads, and other producer goods on a contractual or lease basis to families, brigades, or cooperatives, unless they convert to progressive forms of paying wages—from gross income or by the residual principle—nothing will turn out well.

The trouble is that many people don't know how this is to be done. Weak farms must be strengthened by personnel, and people must be taught. But, on the other hand, the actual situation must be tackled; life is the best teacher. There is no other way to overcome mismanagement.

In the central zone and in the northern regions managers frequently complain as follows, for example: "Can we really make as much money as the southerners, when all we have to sell are potatoes and cabbages?" But if you salt that cabbage well and bring it to the market, you could turn a profit of seven rubles for every one ruble spent. Not every southern fruit has such a profit ratio.... The new management mechanism compels us to seek out where and on what we can earn money.

[Question] Well, but it sometimes happens that people don't learn anything from life.... And then, there are farms, you know, that are remote and practically deserted.

[Answer] In such cases we must, first of all, investigate what they are specializing in. And, if necessary, it must be changed. What if they still can't make the grade? Then we'll have to lease part of the land to stronger farms or cooperatives, combine farms operating at a loss with stronger ones, or turn them over to industrial enterprises

so that subsidiary farms may be organized there. In short, we must proceed on to the end, adopting any effective solutions and organizational measures under the specific conditions.

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**Nikonov Speaks in Bryansk on APK,
Machinebuilding**
*18200071a Moscow SOTSIALISTICHESKAYA
INDUSTRIYA in Russian 13 Nov 87 pp 1, 3*

[Article by Yu. Lodkin and A. Filatov: "Taking the Interests of the Workers Into Account"]

[Text] Ways of accelerating the development of the processing branches of the agroindustrial complex and the tasks of the oblast party organization that are associated with its important work were comprehensively discussed at the plenum of the Bryansk CPSU Obkom.

In the report of the first secretary of the CPSU Obkom A. F. Voystrochenko and in the statements of participants in the plenum it was emphasized that in order to fulfill the Food Program, to significantly improve the supply of food products for the population and to expand their assortment, it was necessary to radically change the attitude toward the processing branch and give priority to its development. This should be done because the processing enterprises of the oblast agroindustrial industry chronically lag behind in their development and hold up the growth of the production of food products.

Numerous shortcomings and omissions were revealed self-critically and in a businesslike way and the specific parties guilty of the stagnation were named. The speakers devoted special attention to searching for ways out of the situation that had been created and radically restructuring this vitally important branch of the national economy.

V. P. Nikonov, a member of the Politburo of the CPSU Central Committee and secretary of the CPSU Central Committee, spoke at the plenum.

The Soviet people and all progressive humanity, he said, have just celebrated the 70th anniversary of the Great October Socialist Revolution. Every anniversary of October is a great and bright holiday. But this anniversary was special: it coincided with truly revolutionary transformations in the life of our society. The structuring that is taking place in the country is exerting an immense influence on the minds and hearts of the Soviet people and all mankind.

Our working class, peasantry, and intelligentsia are wholeheartedly supporting the party line toward restructuring of the economy and all aspects of the life of the society. In the labor collectives of industrial enterprises, kolkhozes, sovkhozes, and scientific research institutions there is a creative search for reserves and new

forms of organizing and stimulating labor. Also important is a peculiarity emphasized by M. S. Gorbachev in his report at the festive meeting in the Kremlin: "People are becoming more demanding both on themselves and on their leaders and on specialists and they are resolutely speaking out against inefficiency and irresponsibility."

This demandingness was also reflected in the work of the plenum of the party obkom. We should like to hope that it would be constantly present in the daily affairs of the oblast party organization the solutions to whose vitally important problems are being discussed today.

In recent years, the speaker went on to say, certain positive changes have been made in the sphere of the country's agroindustrial production. They are linked to the implementation of measures developed by the main (1982) Plenum of the CPSU Central Committee and the Food Program. Agriculture has begun to develop steadily, especially animal husbandry, and the processing branches are increasing their product output and expanding their assortment. Economic life in rural areas became especially active after the April (1985) Plenum of the CPSU Central Committee which earmarked the course toward acceleration and restructuring.

The average annual grain production has exceeded 210 million tons in the past 2 years. The average indicators for meat production have increased by almost 2 million tons, milk—by 8.5 million tons, and eggs—by more than 7 billion. On the basis of this changes for the better are taking place in the consumption of food products.

But this is still just the beginning. The restructuring has reached a turning point and we need new efforts and the most resolute measures to carry out those tasks set by the 27th Party Congress and the June (1987) Plenum of the CPSU Central Committee. Among these in the foreground, as we know, is the task of achieving in 2-3 years a significant improvement and the country's food supply. All the necessary objective conditions exist for this. But they must be utilized completely.

Party organizations, Soviet and management agencies, and managers and specialists of kolkhozes, sovkhoses, and other enterprises and organizations of the APK's of many republics and oblasts, including Bryansk Oblast, unfortunately, have not yet managed to take full advantage of the conditions that were created by the new economic management mechanism and the decrees of the CPSU Central Committee concerning measures for accelerating the solution to the food problem or other documents intended to activate the human factor and increase the output in all sections of agroindustrial production.

Hence the poor results in the development of the public economy and the inadequate enlistment of subsidiary farms of industry and private farms of the citizens in the matter of increasing food resources.

Having analyzed in detail the state of affairs in these important areas, V. P. Nikonov said that in Bryansk Oblast, with an immense amount of help from the state, a powerful production potential has been created for increasing the production of farming and animal husbandry products. During the years of the 10th and 11th Five-Year Plans about 3 billion rubles of state and cooperative funds have been invested in agriculture. During this time fixed production capital for agricultural purposes has increased by a factor of 2.5, and the energy availability for one worker employed in agriculture has increased by 62 percent, which exceeds the unionwide level by 8 percent.

All this made it possible in 1986 to increase the gross output by 4.8 percent and labor productivity by 17.5 percent as compared to the average annual indicators of the 11th Five-Year Plan. Yet there was no radical breakthrough in agricultural production in the oblast. The average annual rate of increase in output during the years of the 11th Five-Year Plan was lower than the rates envisioned by the Food Program for grain by 54 percent, potatoes—30 percent, vegetables—37 percent, meat—25 percent, and milk—21 percent. The oblast failed to reach the assigned rates of production in 1986 as well. A considerable quantity of agricultural raw material which could have been produced locally is being delivered from outside the oblast for the processing enterprises.

The main reason for this situation lies in the low level of the science of farming, the underestimation of its intensive factors, and the extremely unsatisfactory work for preserving and increasing the natural fertility of the land.

Shortcomings in farming predetermine the low level of animal husbandry. For a long time the oblast has been standing still or even slipping back from the positions that have been achieved. Thus last year meat production increased by only 1 percent as compared to the average annual indicators of the 9th Five-Year Plan, milk production decreased by 3 percent, and wool—by 21 percent.

The agroindustrial committee and the RAPO are handling economic problems poorly. The collective, family, and rental contracts are not being properly disseminated and on a number of farms they have been introduced formally and the check system of controlling expenditures is not being used.

The requirement of the party central committee concerning maximum self-supply of food products for each oblast, kray and republic sets forth the task of actively developing subsidiary farms of citizens and enterprises and collective garden and orchard raising in addition to the task of strengthening the public sector. But this reserve is being poorly utilized in the oblast.

Subsidiary farms of industrial enterprises are not being properly developed. Here they have reconciled themselves to the fact that only every third enterprise has a subsidiary farm.

The speaker also drew serious attention to the shortcomings in the organization of collective gardening and orchard raising: more than 40 percent of city families do not have garden and orchard plots.

All these omissions and shortcomings are reflected in the supply of food for the population and lead to the establishment of high retail prices for many food products. It should be added to this that the kolkhozes and sovkhozes are not taking advantage of the rights granted them to sell 30 percent of their fruit and vegetable products and potatoes at kolkhoz markets.

A real source of augmenting food resources is reducing losses of products during harvesting, transportation, storage, and processing. This is related mainly to the serious disproportion between the production of products and the capacities for processing and storing them as well as the extremely weak material base of the processing branches.

The CPSU Central Committee heard a report from the Bryansk CPSU Obkom and Oblispolkom concerning the work for fulfilling the decrees of the party and government concerning the development of the processing branches and the storage base of the agroindustrial complex. The discussion of this problem showed that the work of party, soviet and economic agencies of the oblast is not goal-directed, it is not fulfilling the tasks set by the Food Program, and it was recognized as unsatisfactory. Moreover, it was emphasized that the party obkom, gorkoms and raykoms are not correctly evaluating the situation that exists with respect to the development of the food industry and the storage base and they are not taking the proper measures for increasing and constantly updating their production potential. This attitude has led to a situation where 33 of the 120 processing enterprises are located in adapted facilities, 34 are in an unsatisfactory technical and sanitary condition, and 80 do not have purification installations.

Especially far behind in their development are meat processing, starch and molasses, canning, and flax and hemp processing branches of industry as well as grain receiving enterprises.

The growth rates of the capacities for processing grain, sugar beets, potatoes, and milk during 1976-1980 turned out to be less by a factor of 1.5-3 than the rates of increase of state procurements of these kinds of products. There was an interruption in the fulfillment of assignments set for the oblast for the 10th and 11th Five-Year Plans for the construction of processing enterprises and storage facilities by decrees for further development of the Nonchernozem Zone of the RSFSR.

There is no improvement in this matter under the current five-year plan either. The construction of a number of production facilities is being unjustifiably drawn out over many years. A sausage shop in Navla has been under construction for 9 years, a bakery in Dubrovka—5 years, and a vegetable drying shop in Surazh—3 years. The reconstruction of a bakery in Klimovo has not been completed in 3 years.

The state of affairs is even worse with respect to the construction of storage facilities for fruit and vegetable products and potatoes. The need for them was satisfied by only half. But even so this year, of the planned storage facilities for 27,000 tons, facilities for only 16,500 tons were put into operation. This is 61 percent of the annual plan.

With the existing extremely weak material and technical base and the shortage of capacities for producing a number of foodstuffs, the area is still not devoting the proper attention to complete utilization of the existing production potential. Many enterprises that have been constructed over a long period of time are operating without being loaded and are not reaching their planned capacities. Thus capacities introduced 10 years ago for producing potato meal at the Sevskiy Vegetable Drying Plant are being utilized by an average of 15 percent. At the Suzemskiy and Kletnyanskiy cheese plants and the Novozybkov Canning Plant the equipment is loaded by 40-60 percent.

The collectives of processing enterprises are not attaching the proper significance to increasing the effectiveness of the utilization of agricultural raw material and introducing progressive and waste-free technologies. They have not yet begun to apply membrane processing of milk, the production of bakery items with yeast preparations and supplements, apple pectin, dry meat bouillon, grain extrusion, and other things. The production areas that are released and the capacities that are opened up from the redirection of alcohol enterprises are being utilized quite inadequately for augmenting food resources. There is a good deal of formalism in this work and there is not enough purposiveness and economic enterprisingness. The practice of overfulfilling the plans for the easier production of alcoholic products is continuing.

Many managers have deeply ingrained attitudes of dependency which impede the search for ways of increasing the production of foodstuffs through improving the utilization of local capabilities. The majority of rayons are not yet satisfying the demand for nonalcoholic beverages, ice cream, cakes and pies. The assortment of rolls, dried bread, flour, and confectionery items is poor. The stores of the oblast and rayon centers sell vinegar that is shipped in from Dnepropetrovsk, acetic acid—from Zaporzhye Oblast, apple jam from Moscow, and marmalade and marshmallows. Commercial fishing is an important reserve. The oblast has more than 8,000 hectares of bodies of water that are important for fishing. A fishing economy has been created and there are four

electric power stations and several industrial enterprises with warm waters. But only 280 tons of fish are raised for sale to the population or about 200 grams per resident.

Party obkom, gorkoms and raykoms and the soviets of people's deputies are doing a poor job of monitoring the fulfillment by the enterprises of the plans set for the production of products. In 1986 they did not provide for the fulfillment of the plan for the output of many of the most important foodstuffs worth an overall sum of about 1.5 million rubles in retail prices. This year, even though raw material resources were available, the plan for January-October was not fulfilled with respect to the production of cheeses, animal fat, nonfat dry milk, and whole milk substitutes, canned fruits and fruit juices, nonalcoholic beverages, kvass, starch, and nonfat milk products. The shortage of all these goods amounted to a total of 2.1 million rubles.

The deterioration of the quality and the spoilage of foodstuffs cause considerable economic and moral damage. There are many complaints about the poor quality of sausage, bakery, and confectionery items, cheeses, and canned vegetables. The reason for the defective work and the reduction of the grades (in 80 out of 100 cases), as a rule, is the violation or failure to observe sanitary and technological conditions, especially the unfavorable situation with respect to the quality of the products that are produced at the Bezhitskiy and Novozybkovskiy food combines, the Fokin and Klintsov bakeries, and enterprises of the canning and vegetable drying industry.

The shortcomings in the work of processing enterprises are largely explained by the low level of management on the part of the oblast agroindustrial committee and the rayon agroindustrial associations. The large staffs of these agencies have not been imbued with an awareness that the processing branches are a constituent part of the agroindustrial complex. The RAPO's have tried to get out of managing the storage and processing base enterprises completely.

Bryansk Oblast has a high production potential in the machine building, electrical equipment and chemical industries. But it does not take advantage of this for technical reequipment of processing enterprises and storage bases.

The secretary of the CPSU Central Committee analyzed the activity of the party committees in depth. They are doing a poor job of increasing the militancy of the local party organizations of enterprises of the processing industry and are allowing serious shortcomings in the work for selection, placement and education of personnel. Party, soviet and trade union agencies are not replacing the necessary demands on economic managers for improvement of the conditions for the labor and life of the workers and medical, trade and consumer services or solving the housing problem.

The most important requirement set forth by the party concerning a radical improvement in the food supply for the population in the next few years, the speaker continued, must be considered in the entire complex of tasks that are interconnected with it. First of all it is necessary to get rid of existing views of the processing branches as secondary spheres of the economy. Everything linked to the development of the material and technical base for processing, storage and transportation of raw material and food products is being placed in the foreground today. We are speaking about arranging this entire area of work in such a way that it corresponds to the rates of growth of agricultural production and everything raised and obtained on the fields and farms reaches the consumer in the best possible form.

For a real acceleration of scientific and technical progress in the processing branches of the APK, tasks are also being set for central planning agencies, ministries and departments that produce machines and equipment and packaging materials, and those that carry out capital construction and reconstruction of enterprises. In order to radically rectify the state of affairs in the food branches of industry it is necessary to double the output of equipment by enterprises of the USSR Ministry of Light and the Food Industry and in other branches of machine building these volumes should increase by a factor of 4-9. It will be necessary to master the output of highly productive technical equipment of the new generation and a system of machines that encompasses large areas throughout the entire complex of storage, transportation, and processing. The powerful production and scientific-technical potential of the defense branches of industry and also civil machine building are being enlisted to solve this problem. Even by the end of the 13th Five-Year Plan they should provide for complete satisfaction of the needs for capacities for processing cattle and poultry and producing whole milk products, cheeses, vegetable oil, canned fruits and vegetables, and other products.

Considerable internal funds are being used for the construction of small capacity procurement and processing enterprises and shops within the system of consumers' cooperation.

For local party, soviet and management agencies the task is being set in such a way that in each republic, kray and oblast and in each rayon there will be a single, well-arranged and intercoordinated system in operation for production, procurements, processing, storage and sales in order to fully satisfy the needs of the population for food products.

It is necessary to eliminate more rapidly the disproportions in the development of all branches of the agroindustrial complex and to provide for further deepening of the integration of agricultural and processing productions as well as balanced development of their material and technical base.

In the shortest possible time periods the oblast must solve problems of using local production to completely satisfy the demand for confectionery and margarine products, mayonnaise, a broad assortment of nonalcoholic beverages, and bagel, dry bread, macaroni and many other items.

It is necessary to accelerate the creation of capacities for prompt receipt and processing of all animals husbandry products. Here attention should be drawn to the most rapid possible reconstruction of existing productions and the construction of enterprises with medium and small capacities directly in the zones where cattle and poultry are raised.

In the construction and reconstruction of dairy industry enterprises it is necessary to take into account the creation at city dairies of specialized shops for producing dairy products for children's nutrition.

The task of the present day for the party obkom, gorkoms and raykoms, the oblispolkom, and the city and rayon soviets of people's deputies is to strengthen control over the work of processing enterprises and to provide for the fulfillment of this year's plans for the construction and reconstruction of enterprises, refrigeration capacities and storage facilities and the output of foodstuffs in the given lists as well as the production and procurements of agricultural products.

Special attention must be devoted to stably increasing the production of foodstuffs and unconditionally fulfilling the plans for 1987 and subsequent years of the five-year plan.

In conclusion, V. P. Nikonov said that it is necessary to comprehensively increase the responsibility of party organizations and economic managers for the utilization of the potential that has been created and the production capacities and to strengthen the demand for the fulfillment of assignments for increasing the production of foodstuffs. Party organizations are called upon to give this work political direction and take advantage of all forms of influence and all forces and experience in the matter of mobilizing the labor collectives for the fulfillment of the tasks that have been set.

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REGIONAL DEVELOPMENT

RSFSR Gosagroprom Chairman Reviews Development, Prospects

18240050 Moscow SELSKOYE KHOZYAYSTVO ROSSII in Russian No 11, Nov 87 pp 2-5

[Article L.B. Yerminev, deputy chairman, RSFSR Council of Ministers, and chairman, RSFSR State Agroindustrial Committee: "A Time of Searching and Accomplishments"]

[Text] Soviet people are imbued with a feeling of pride in their homeland and for those enormous transformations and radical changes which have occurred in all spheres of

our society and in the lives of each one of us due to the victory of the Great October Socialist Revolution. During the 70th Anniversary of the Great October Revolution all of us are experiencing this feeling with particular keenness. Because the country is going through an important phase in its history. Because perestroika—a living continuation of the Revolution—is picking up steam. At such a time it is especially important for each of us to once more take a look back at the path we have traveled in order to see the future prospects more clearly, to recognize our own joint participation in epoch-making events, as well as our own personal responsibility for making sure that our overall forward movement is speeded up day after day.

There have been many great achievements and victories on the difficult path of the trail-blazers, but there have also been major miscalculations. The 27th party congress became a lesson in telling the truth for all of us. A lesson in genuine communist principles in its evaluations, objectivity, and glasnost. The frank and honest discussion about our shortcomings, errors, and difficulties, as well as about ways to overcome them, allowed most people to take a new look at what had for a long time become commonplace, as if it were something self-understood—at the principal gains made by the October Revolution in political and socioeconomic spheres.

Building socialism in rural areas has passed through several phases in its development. In each of them major sociopolitical and economic tasks were assigned the ultimate purpose of which was the socialist transformation of agriculture and the increase of its efficiency. Sovkhoz, which began to be created shortly after the October Revolution, constituted a unique school for organizing large-scale public production on the land. The party launched widespread political and indoctrinational work among the peasants; it propagandized the experience of the first few sovkhozes and explained the advantages of collective farms. The state rendered all kinds of material and financial aid to the young collective farms.

A token of special concern was the creation and accelerated development of heavy industry capable of equipping collective farms with tractors, motor vehicles, and farm implements. This complicated problem was solved in an unprecedentedly brief period of time.

In short, by the beginning of the First Five-Year Plan the objective conditions for carrying out mass collectivization had taken shape in this republic. It began during the second half of 1929. By the mid-1930's the kolkhoz system had become completely formed. During the pre-war period the Russian Federation's kolkhozes and sovkhozes had already brought average annual grain production up to 55.6 million tons, which is 5.1 billion more than in the bumper harvest year of 1913. Production of potatoes, sugar beets, sunflowers, and other crops increased considerably.

The Great Patriotic War was a severe test of the strength and vitality of socialist agriculture. In starting a war against the USSR, Nazi Germany reckoned that this sector of the national economy would not be capable of supplying foodstuffs to the front and rearline areas, and that kolkhoz members had long been dreaming about a return to working on an individual basis. But the hopes of Hitler's predators were unjustified.

It is well known what enormous damage Hitler's predators inflicted on our country's agriculture. But within just five years after the war production of the gross agricultural output exceeded the pre-war level.

However, the needs for food and agricultural raw materials were not being fully satisfied, and urgent measures were required to speed up the development of this sector. They were elaborated at the September (1953) Plenum of the CPSU Central Committee, and in 1954 the mass assimilation of virgin and long-fallow, disused lands was begun. Within a comparatively brief period of time 16.4 million hectares were put into circulation in the steppe regions of Siberia, the Urals, and the Volga. This allowed the average annual total grain harvest to be increased by a factor of 1.4.

Particularly noticeable shifts in the production growth rates of agricultural output occurred after the March (1965) Plenum of the CPSU Central Committee, which worked out major measures to strengthen the material-technical base of kolkhozes and sovkhozes, as well as to create stable economic-production conditions for them. During the Eighth Five-Year Plan alone, as compared to the preceding one, the volume of gross agricultural output rose by a factor of 1.2.

It is noteworthy that the production and procurement volumes of agricultural and livestock-raising products increased primarily due to intensive growth factors. The average grain harvest, for example, increased by 3.7 quintals during the five-year plan, and the milk yield per cow increased by 300 kilograms.

Unfortunately, in the next two five-year plans the production growth rates were quite a bit lower. To be sure, over the course of several years there was a serious drought on an enormous territory of the republic, but there were also subjective reasons connected with an undervaluation of economic and democratic administrative methods, lack of improvements in the management mechanism and planning, along with violations of the balanced-production principle.

In order to correct the situation and satisfy the population's growing needs for food products, the USSR Food Program for the Period to 1990 was worked out and approved by the May (1982) Plenum of the CPSU Central Committee. Assigned tasks were specified for each Union republic in accordance with this program.

"The most important condition for the successful implementation of the USSR Food Program," this document notes, "is speeding up scientific and technical progress, the highly effective use of production potential, and strengthening the material-technical foundation of agriculture and all sectors of the agroindustrial complex on the foundation of further developing production mechanization and chemicalization, as well as widespread land reclamation."

In particular, provisions have been made over a 10-year period in the Russian Federation to put into operation 3.3 million hectares of irrigated lands and 3.7 million hectares of wetlands, to bring the delivery of mineral fertilizers to rural areas up to 120 kilograms per hectare of arable land (as measured by effective substance). It is also intended to increase the delivery to rural areas of tractors, combines, other machinery, and material resources. In the overall total, during the 12th Five-Year Plan alone some 121 billion rubles of capital investments will be channeled into developing the production capacities of the APK sectors, including 111.2 billion for agriculture.

These enormous sums have been earmarked primarily for increasing soil fertility, creating a stable fodder base for livestock raising, increasing the capacities for processing products for building warehouses and storage facilities, for modernizing and expanding animal-breeding areas, and for the village's social development.

The correctness of this course was confirmed by the 27th party congress. Examining the principal ways to upgrade the effectiveness of utilizing production potential in the APK, CPSU Central Committee General Secretary M.S. Gorbachev emphasized in his report that "it is primarily a matter of increasing the fertility of the land and creating the conditions for conducting agriculture in a stable manner."

Why place precisely this trend at the center of attention? Basically because the Russian Federation's kolkhozes, sovkhozes, and other agroindustrial enterprises, though they have enormous land stocks at their disposal amounting to 645 million hectares, have only slightly more than 215 million hectares of land suitable for agriculture, whereas only 131 million hectares are arable lands. Most of the arable lands in the republic's principal grain-growing regions are situated in dry or extremely dry zones. Tens of millions of hectares are reckoned as areas of wetlands, acidic, saline, and eroded lands.

There is yet another, no less important reason. What we are talking about is humus—the principal bearer of soil fertility. Its contents in a number of this republic's regions over the last 20 years has declined by 25-30 percent of the former level. Therefore, the top-priority task in increasing the land's productive power ought to be increasing the production and use of organic fertilizers.

A good example of work on increasing soil fertility has been by farmers of the Rodina Kolkhoz, Vologda Oblast. Here every year they spread as much as 100 tons of peat-and-manure compost on each hectare of a fallow field. It was specifically the spreading of large amounts of organic fertilizers, in conjunction with the rigorous implementation of other measures provided for by the agricultural system, which ensured here last last year a grain harvest unprecedented under northern conditions—as much as 52.7 quintals per hectare. And, you know, there was 0 time, for example, during the 1950's when the average grain harvest yield on this farm did not used to exceed seven quintals per hectare.

A large role in increasing the harvest yield is played by mineral fertilizers and other chemical substances. Taking into account the high efficiency of chemicalization, the party and the government are consistently carrying out a program of expanding the production of mineral fertilizers, liming materials, herbicides, pesticides, growth stimulants, fodder additives, fodder preservatives, and many other chemical agents. During the last five-year plan Russia's agriculture received approximately 55 million tons of mineral fertilizers—more by a factor of 1.3 than during the 10th Five-Year Plan.

More efficient utilization of chemical preparations has been facilitated by an extensive network of the agrochemical service's specialized enterprises. The comprehensive agrochemical utilization of soils conducted by its staff has ensured an addition to the grain harvest amounting to eight or more quintals. At present 12.6 million hectares a year are cultivated by such a method, and by the end of the five-year plan this indicator will increase to 23 million.

However, what is being done in the area of chemicalization does not yet satisfy the needs of this republic's agriculture, either as to volume or quality of the operations being conducted. The RSFSR Gosagroprom has uncovered the shortcomings and omissions and is taking additional measures to upgrade the efficiency of the means of chemicalization.

Along with chemicalization, widespread use is also being made in the republic of such a mighty lever of intensification as land reclamation, which is creating a reliable foundation for cultivating high and stable harvests.

A course aimed at reclamation had already been adopted from the first few years of the Soviet regime on. However, these operations did not attain genuinely widespread scope until after the May (1966) Plenum of the CPSU Central Committee. During the time which has elapsed since this Plenum 53 billion rubles of capital investments by the state and the kolkhozes have been channeled into reclaiming lands and making them suitable for agriculture in the Russian Federation. As a result, the area of irrigated lands has quadrupled, while that of drained lands has doubled; they have reached 6.1 and 4.9 million hectares respectively.

Although for the republic as a whole the rate of introducing reclaimed lands has been maintained at quite a high level, it has lagged somewhat behind the tasks assigned by the Food Program. Furthermore, the potentials for cultivating areas are far from being fully utilized. Many reclamations system have not yet reached their planned harvest yields, and the payback on capital investment is too low.

The decisions of the October (1984) Plenum of the CPSU Central Committee, which affirmed a long-term program for upgrading land reclamation and increasing the effectiveness of land use, are directing the republic's land-reclamation specialists and agriculturalists to eliminate these shortcomings. In accordance with this program, by the end of the century the area of reclaimed lands in the Russian Federation is supposed to be doubled and to reach 19.1 million hectares. As a result, the proportion of agricultural products obtained from these areas will come to 31 percent, as contrasted with 15 percent at the present time.

No matter how great the importance of land reclamation and chemicalization may be, the solution of the problem of increasing soil fertility and intensifying this sector also depends on several other factors, and—above all—on the level of production mechanization. At the present time almost 1.5 million tractors, more than half a million grain-harvesting combines, and about 1 million trucks are operating on the fields of the Russian Federation. All branches of agriculture and livestock raising, fodder production, and the processing industry have been supplied with up-to-date motor vehicles and machinery. With each passing year the rural areas receive increasingly newer and more improved equipment. Just during the four years which have elapsed since the Food Program was adopted the motor-and tractor pool has had almost half its vehicles replaced with newer ones.

Since the earliest days of the Soviet regime, in accordance with the Leninist GOELRO Plan, a great deal of work has been carried out on rural electrification. A special section of this plan provided for the generation and transmission of as much as 1 billion kW-hours of electric power to agriculture. But at the present time this sector consumes 77 times more than that provided for in the GOELRO Plan.

The power-worker ration has increased immeasurably during the years of the Soviet regime. If in 1913 there was only 0.5 horsepower per agricultural worker, now that figure has reached 42.4. Nevertheless, there are still many "gaps" in the area of mechanizing labor-intensive processes. Justifiable complaints have been expressed by rural machine operators directed against machine builders for the poor quality of their equipment and its high price. And the utilization of the existing motor-vehicle-tractor pool leaves much to be desired by way of improvement.

These shortcomings are being corrected; everything possible is being done to see to it that by 1990 the comprehensive mechanization of agriculture and livestock raising will have been completed and that the food-industry sector will have been retooled.

In implementing the course aimed at using all measures to strengthen the rural material-technical base, the republic year after year has been expanding the construction of livestock-raising farms and complexes, poultry plants, warehouses, silage- and hay-storage structures, intra-farm roads, and other production-type facilities. As a result, the size of agricultural capital assets has increased over 1982 by a factor of almost 1.3, and in 1986 it was worth 157.6 billion rubles. This amounts to 17,500 per agricultural worker and is more than double what it was 10 years ago.

It was precisely the technical retooling of the rural area which, having strengthened the material-technical base, opened up the way for the widespread introduction of industrial-type and intensive technologies for growing agricultural crops. This is a qualitatively new stage in the technological restructuring of agriculture, which has opened up and direct and true path to the stability of harvests. Examining this problem, M.S. Gorbachev emphasized the following at the 27th party congress: "The key to success, as the experience of recent years has shown, lies in the widespread application of intensive technologies. They yield an enormous effect." And, in fact, in 1986 "intensive" sowings, while occupying one-fifth of the grain-growing area yielded 24.9 quintals per hectare, as compared to 16 quintals per hectare on fields employing the traditional technology. This extra amount turned out to be an additional total grain harvest exceeding 10 million tons. The Tatar ASSR has a sovkhos named "Gigant," whose grain farmers threshed 76.8 quintals of grain from each of 700 hectares of spring wheat, cultivated using the intensive technology.

High harvests also marked the intensively cultivated fields during the present anniversary year. Thus, grain farmers of the Lenin's Testament Kolkhoz, Dubenskiy Rayon, Tula Oblast harvested 72 quintals of grain per hectare on certain sections of winter wheat. Our homeland was gratified by excellent harvests by farmers of the Central Chernozem Zone, the North Caucasus, and several oblasts of the Non-Chernozem Zone, Western and Eastern Siberia. Nor can we fail to note the success enjoyed by the grain farmers of Moscow Oblast, who for the first time harvested an average of 35 quintals per hectare from the entire grain-growing area, while the farmers of Domodedovskiy Rayon in this oblast averaged 42 quintals per hectare.

And so the possibilities of progressive technologies are truly inexhaustible. Also important is the fact that grain quality is improving substantially, while its production cost is decreasing. During the present year for the Russian Federation as a whole intensive technologies

were used in cultivating almost one-third of the grain-growing area. By the end of the current five-year plan such sowings will occupy about half of all Russia's grain fields.

However, the growth indicators achieved on the intensive fields of the Russian Federation as a whole cannot be deemed satisfactory. We have no right to close our eyes to the fact that on many kolkhozes and sovkhoses, because of the non-comprehensive use of the resources allocated to them, violations of the technological discipline, and other reasons, the pre-programmed harvest yield was not achieved. The necessary conclusions have been drawn from the mistakes made during the first few years of applying the intensive technologies. And it is very important to implement them in farming practice everywhere and as soon as possible.

A characteristic feature of recent years is the broad-based introduction of progressive forms of paying labor wages for final results and, above all, various forms of the collective contract and intra-farm accounting with the cheque form of monitoring expenditures. As practical experience has shown, contracts inculcate among farmers a feeling of being genuine proprietors of the land; they develop comradely mutual aid, and a creative approach to the business at hand; they also create real conditions for self-management and provide the best combination of private and public interests. At present, brigades and teams working on collective contracts are handling almost four-fifths of all arable lands and more than half the head of cattle and pigs.

According to the results of the first few years of work, the majority of such formations have shown themselves to good advantage in comparison to the usual ones. Let's take such an extremely important qualitative indicator as labor productivity. As compared to the usual collectives, the contractual ones during the current year produced, as computed per man-hour, twice as much in agricultural products and 1.5 times as much in livestock raising. In places where all the principles of the collective contract and intra-farm accounting have been put into practice, where production technologies and contractual obligations are strictly observed, the final results are even more substantial.

A good example in this regard has been shown by the collective of the cost-accounting unit at the S.M. Kirov Stud Farm, Rostov Oblast, which for 12 years now has been headed by I. Rublikov, a winner of the USSR State Prize. The unit, consisting of 12 all-round machine operators year after year has increased the harvest of all the agricultural crops and has lowered production outlays.

The average grain harvest yield here, for example, increased from 36.2 quintals per hectare during the 10th Five-Year Plan, to 48.3 quintals during the 11th Five-Year Plan, and 53.7 quintals during the first year of the present five-year plan. Total production per worker is

ten times greater than the average for kolkhozes and sovkhozes of this oblast. Wages have also greatly increased in this unit; last year they averaged 405 rubles a month for each member of the collective. And all this has been achieved on boghara (unirrigated land) under the extremely dry conditions of the Tselinskiy Rayon. The harvest indicators which were achieved here during the present year are no less impressive. For example, the machine operators harvested an average of 90 quintals of grain from intensively cultivated cornfields.

The forms of the collective contract are constantly being improved. In recent years the republic has witnessed the creation of intensive-labor units, as well as individual and family contracts, taking local conditions into account. As a rule such collectives have a small number of members, only 3-5 persons in all, and therefore they are simpler to form, while during the work period it is easier to decide questions of organization, wages, self-management, and zeal in handling the task at hand.

Serving as an example of what high economic-production indicators have been achieved by such small units is the intensive-labor unit of the Verkhne-Buzinovskiy Sovkhoz, Volgograd Oblast, which for several years now has been headed by the experienced machine-operator, S. Gavva.

This cost-accounting collective, consisting of four machine-operators and armed with up-to-date equipment, undertook to cultivate the land of an entire department of this sovkhoz. But this amounts to a total of 3,411 hectares—or 853 hectares per person. In 1986, in accordance with the adopted system of cultivation, half of this area was planted with grain crops and cultivated by the intensive technology. So what happened. Under the dry-steppe conditions, the collective threshed an average of 22.5 quintals of grain per hectare, or almost 1.5 times as much as for the sovkhoz as a whole. This friendly foursome produced 13 times as much as the average for the Volga region, as computed per machine-operator. This year, despite a prolonged dry spell, the unit harvested an average of 28 quintals of grain per hectare.

The family contract is also extremely effective as a form of labor organization in public production. The initial results of its introduction have been encouraging. To be sure, the movement to create labor-intensive collectives and family contracts is still at the start of its journey. But these forms have a great future ahead of them, as was emphasized at the June (1987) Plenum of the CPSU Central Committee.

The most important event in the life of Russia's APK workers in the recent years has undoubtedly been the radical restructuring of the system of APK planning, financing, and administration, along with a complex of measures on improving the economic-management mechanism. Together with the creation of the RSFSR

Gosagroprom in this republic, a major national-economic complex was formed, numbering more than 57,000 farms, enterprises, and organizations connected with producing, processing, and bringing agricultural products to the consumer, as well as with construction and servicing. The sectors within the APK account for almost one-third of the production capital assets and number of employees in Russia's national economy. About one-third of the republic's national income is created here.

Along with reorganization and cutting back on the apparatus, administrative methods in all units of the APK have been improved. As is known, entire rayons and oblasts have begun to operate on the principles of self-support and self-financing. In particular, by way of an experiment, the kolkhozes and sovkhozes of Stavropol Kray have been operating in this way for the second year now. They have introduced full cost accounting, the resource-normative planning method, and on many farms—the "straight-through" contract, under which wages of the whole collective, including those of the specialists and managers, are set directly dependent on the total income.

In searching for new, more improved forms of integration and administration in the rayon and primary units of the republic, major agroindustrial combines, state-cooperative and scientific-production associations began to be created.

Thus, by way of an experiment, in the Krasnodar Kray the Kuban Agroindustrial Combine is now in its fourth year of successful operation on full cost accounting, self-support, and self-financing; it includes all kolkhozes, sovkhozes, processing, and servicing enterprises and organizations in the Timoshevskiy Rayon. Concentrated here in one set of hands is the production, procurement, and processing of agricultural products, their delivery to the consumers, even creating company stores and exporting to foreign markets. Taking the experience of the Kuban Combine's operation into account, another 29 similar associations have been created in this republic.

A further development of this form of integration and administration was the organization this year, based on the kolkhozes, sovkhozes, processing, and servicing the enterprises of the Novomoskovskiy Rayon, Tula Oblast, of the Novomoskovskoye Agroindustrial Association. The new association has much in common with the Kuban Combine. But there are also substantial differences. Here, for the first time a complete merger of state and cooperative ownership. Another important feature is that the Novomoskovskoye has converted from administrative to democratic forms with broad participation of the masses, including the election of the entire supervisory staff from the brigade-leader to the association chairman. It has been granted broad rights, ensuring economic independence, even to the point of setting up direct ties with foreign partners.

This essentially new, democratic form of agroindustrial integration had to emerge during the course of radically restructuring the APK administrative and economic mechanism. In essence, this is an important step into the future, a measure by which we hope to speed up the pace of development and to further consolidate economic-management ties.

Restructuring on such a scale of course cannot avoid mistakes and omissions. We try to find them and are doing all we can to stress positive trends. In this connection I would like to return to the thought expressed at the beginning of this article. Today as never before, each of us must profoundly recognize his own responsibility for moving our common cause forward. Because our success, as Comrade M.S. Gorbachev has often emphasized, definitely depends on the collective creativity and will of the masses.

And so we must act to advance the new ideas more boldly. The principle of glasnost and the course aimed at democratizing all spheres of public life, as proclaimed by the 27th party congress and the ensuing plenums of the CPSU Central Committee, open up the widest possibilities for this. The cause of the Revolution continues. And all of us are its active warriors.

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POST HARVEST CROP PROCESSING

New Planning System Introduced in Cotton Industry

Preparation for New Planning System in Cotton Industry

18240047a Tashkent SELSKOYE KHOZYAYSTVO
UZBEKISTANA in Russian No 7, Jul 87 pp 4-6

[Article by M. Yuldashev, candidate of economic sciences (Scientific Research Institute of Economics and Normatives With the Computer Center of the UzSSR Gosplan)]

[Text] The 27th CPSU Congress, having earmarked the strategy for accelerating the country's socioeconomic development, set the task of improving the system of planning indicators and increasing their focus on the final national economic results. APK management agencies were instructed to provide for real and effective integration of agriculture and the branches of industry associated with it. The task of steadily increasing the production of cotton fiber—the main final product of the agroindustrial cotton subcomplex of Uzbekistan—in order to satisfy the needs of the textile industry in our country and the CEMA countries determines the republic's position in the unionwide division of labor and

comprises a key part of the acceleration of its socioeconomic development. Intensification of production depends to a considerable degree on the level of agroindustrial integration and, on the basis of this, on the improvement of planning which orients each unit of the subcomplex toward the achievement of high final results.

Mistakes made in cotton growing have pertained not only to the economy of agriculture but also to industry and the social and moral sides of the republic's life. Negative phenomena in the republic's cotton complex have their economic bases, above all the lack of unity of the interests of cotton growers and collectives of processing branches of industry. As a result, on the whole during 1971-1985 the rates of growth of the volume of cotton procurements outstripped the growth rates of the production of the final products from one hectare of irrigated land and the expenditure of raw material per unit of prepared product increased. In recent years we have seen evidence of the changeover to the new method of accepting the harvest—according to the yield of the final product—of cotton fiber. In 1986, according to the results of processing the 1984-1985 yield, the output of fiber reached 31-34 percent and in 1986—31.5 percent as compared to the average annual level of the past two five-year plans—29.5 and 27.9 percent, respectively.

But there are still quite a few unsolved problems of an interbranch and interbranch nature. Numerous economic, technological and intracomplex ties for the functioning of all units of the cotton subcomplex in the system of the republic's APK require that improvement of planning be directed toward the observance of unity and the coincidence and subordination of interests.

The changeover to planning the republic's agroindustrial cotton subcomplex as a unified whole means primarily including the plan of set indicators only those for the final product. Further improvement of economic ties lies in deepening their integration not only in form but also in terms of the achievement of the final goal of the entire subcomplex.

The Gosagroprom and the integration of agricultural and industrial production in this complex is provided as a unified whole of management, planning and financing at the levels of the republic, oblast and rayon. A prompt and correct solution to problems of rising at these levels of management is of great significance in increasing the economic effectiveness of the subcomplex. The problem of providing for real and effective integration in the agroindustrial cotton subcomplex of the republic's APK is based on a gradual transformation of cotton-growing farms into enterprises that process raw material, into unified agroindustrial cotton associations, that is, the process of integration is being carried out in the local production units where the final product is created.

Agroindustrial integration in the local units of production and the cotton subcomplex of the republic's APK is becoming one of the leading forms for further collectivization of production and labor.

The decree of the CPSU Central Committee and the USSR Council of Ministers, "On Further Improvement of the Economic Mechanism for Management in the Country's Agroindustrial Complex" has embodied the new approach to the agrarian sector of the economy earmarked by the 27th Party Congress. Measures have been earmarked for improving the planning and stimulation of labor, for coordinating the issues of the growth of the personal benefits of each worker with the final results, and for increasing the responsibility of each individual for increasing the volumes and improving the quality of the final product.

With deep integration of agricultural and industrial production conditions are created for providing for unity and correspondence between the immediate economic interests of individual workers, the collective, and the society as a whole, which is the main form of manifestation of economic relations and their improvement.

Practice shows that when the processes of production and initial processing of products are combined in one enterprise the effectiveness is higher than when they are separated. An example of this are two sovkhoz-plants—Narpay and Kyzil Ravat. On the kolkhoz plants for producing and processing cotton the profitability is considerably higher than the average for cotton-growing farms.

The economic effect in this case is based on joint coordinated interaction of agricultural and industrial production which is the final essence and content of agroindustrial integration at all levels of management. The results of this interaction were: elimination of all kinds of technological losses; elimination of intermediate management units between agriculture, industry and the consumer; a reduction of overhead and transportation expenditures; improvement of the quality of the prepared products, and also improvement of the utilization of labor, raw material and financial resources, and so forth.

Planning requires bringing in line the levels of development of productive forces and production relations in the given subcomplex of the APK. The system of planning, which is directed toward increasing the production of the final product, should provide also for unity of the interests of the workers at all levels of management. Under the conditions of the scientific and technical revolution, the social usefulness of the final product and the methods of its reproduction become a basic criterion and an object of accelerated introduction of the achievements of science and technology. Here the society is interested in the level of labor expenditures for this final product.

In this connection in the cotton subcomplex of the republic's APK it is necessary to introduce a system of economic incentives which would orient all units not

generally toward increasing the gross production but toward increasing the final product and improving its effectiveness and quality with minimum labor expenditures.

The final product of the agroindustrial cotton complex in physical form is fiber, refined oil, lint, pulp, cakes, oilseed meal (except for what is used in the republic APK system) and all kinds of products from processing and wastes that are sold to other branches.

The value form includes the net income created in cotton growing, the processing industry (cotton cleaning and oil and fat) and branches of the production infrastructure that serve them; amortization deductions, and also material expenditures of products of fund-forming branches of the subcomplex in the second and third spheres of the republic APK.

Let us note once again that partial introduction of the system of final mutual accounts between the cotton growers and the processors in terms of the output of cotton has played a positive role. But this is only the first step. It is necessary finally to change over to accounting in terms of new indicators—cotton fiber and refined oil. But actually we are still evaluating production activity according to the old indicator—raw cotton, which does not give up its position easily.

The production of refined cottonseed oil, which comprises 16 percent of the production of vegetable oil in the country, in economic practice is not yet an evaluation or an established indicator even in this unit of the subcomplex. And the oil content of the cotton seeds is not an evaluation indicator for the agricultural production in the cotton cleaning industry. And yet this is what determines the position of the subcomplex in the country's Food Program.

The oil content of the raw cotton is the basis for determining the technological conditions for the oil and fat industry. At the same time the GOST that is in effect for industrial cotton seeds does not stipulate this important indicator.

The factors that generate contradictions between the cotton-growing, cotton-cleaning and oil and fat industry also include economic ones. The interests of the aforementioned branches even within the unified complex still do not coincide fully.

The question arises: Why have we not yet established a new GOST for industrial cotton seeds, which has been in the process of coordination since 1976 in various agencies and which, along with others, stipulated the indicator of the oil content in the seeds? The old GOST for industrial seeds, while indirectly influencing the final product, serves as one of the causes for the contradictions between the cotton cleaning and oil and fat industry.

When speaking about improving the quality of products of the cotton subcomplex one presumes first of all the introduction of selected strains and strict observance of strain regionalization of cotton plants, the rules of agrotechnology, harvesting, transportation and storage, processing of raw materials, and so forth.

The quality of the fiber and the vegetable oil is formed in the stage of agricultural production, and the maintenance of this quality during the process of technological processing depends on workers of processing branches. Another task is to preserve the biological properties of the products and reduce all technological losses. The ways of solving this problem were indicated at the 21st Congress of the Communist Party of Uzbekistan where they were instructed as to conduct an extensive experiment in planning and accounting for production of cotton fiber, having turned over the functions of procurement and storage of raw material to kolkhozes and sovkhozes while the cotton plants are to be responsible only for processing.

The existing system of moral and material incentives at all levels of management have made it possible to make arbitrary and subjective decisions which contributed to disproportions and losses.

The main indicators for each branch were quantitative ones and quality was not taken into account. The economic and moral responsibility of the subdivisions of the subcomplex amounted to fulfillment of centralized planned assignments "at any price." The lack of balance and the high level of centralization encompassed the basic and detailed parameters of the planning indicators, which could not be especially influenced by production collectives since the results of the work were evaluated only in terms of the percentage of the "gross" fulfillment which reduced the responsibility of the collectives in adopting difficult plans. During 10 years (1976-1985) the plans for the yield of cotton and the production of cotton seeds were fulfilled only in 1976 and 1985. The plan for the production of vegetable oil was based on a calculation of the yield of cotton seeds at the level of 56 percent but the actual delivery of cotton seeds during these years amounted to up to 45 percent of the overall volume of procured raw material. During the years of the 11th Five-Year Plan the capacities of the oil and fat industry were utilized by 65-70 percent of a lack of raw material. For this reason they produced 20 percent less vegetable oil than earmarked by the five-year plan. Each year (except for 1981) the annual plans with respect to this indicator decreased by 9-10 percent and, moreover, they were annually adjusted in the direction of reduction by 5-6 percent. The role of the five-year plan in this situation has become secondary.

Unfortunately, even now the subcomplex is not planned as a unified whole since even the basic physical-substantial indicators of the final product for all units of the

subcomplex are not included in the plan of established indicators and are not a lever (in the full sense of the word) for subordinating the activity of the units that form a complex.

Up to this point in the evaluation of the economic activity of the units of the subcomplex priority is given to the system of value indicators that reflect basically the branch interests of the units, which has caused the appearance of contradictions within the branches and creates disproportions.

It would seem that one should single out as objects of planning of the agroindustrial cotton subcomplex the main kinds of final products including the entire system of ties, mainly along the vertical. This problem requires acceleration of the creation of agroindustrial formations at the rayon and oblast levels.

Planning as the unity of science and technology of management consists in scientific anticipation of the course and results of socioeconomic development. The results of all scientific research of the system of economic sciences are realized in the practice of management primarily through the process of planning and administration.

Measures are now being earmarked for rectifying the situation that is developed in the republic's cotton complex. Many suggestions are being made for improving the economic mechanism. All the variants are based on a changeover to evaluating the economic activity of all complex-forming units in terms of the final product.

The changeover to planning and evaluation according to the final product requires the development of normatives that determine the participation and production of each unit of the subcomplex and calculations of the coefficients of direct and complete material-intensiveness, labor-intensiveness and capital-intensiveness of the products of the cotton subcomplex in the near and distant future.

All experiments for improving the economic relations among the units of the subcomplex (transfer of procurement points to the kolkhozes and sovkhozes; creation of associations on the basis of cotton farms and cotton plants; evaluation according to the yield of fiber, and so forth) are a stage preceding the creation in the RAPO and the oblast agroproms of agroindustrial product complexes and the development of a system of planning of the agroindustrial cotton subcomplex of the republic's APK. This, in turn, requires the development of a system for changing over to evaluating the labor of all complex-forming units in terms of the volume and quantity of production of the final product. There are many objective difficulties on this path: it is necessary to reorganize the structure of the cotton-cleaning industry, not only the territorial, but also the organizational structure; and the basic capital that is now capable of annually processing about 8 million tons of raw material, and so forth.

According to calculations of the Central Scientific Research Institute of the Cotton Industry, at the end of the current five-year plan the reserve of production capacities both for processing cotton and for producing fiber will be 55 percent.

The times require the implementation of the task of a deep restructuring of the economic mechanism of the agroindustrial cotton subcomplex of the republic's APK and a unity of theory and practice.

The solution to this problem depends on accelerating the businesslike interaction of scientific, economic and planning agencies of the republic concrete proposals that have been tested in practice for improving the economic mechanism for management in the cotton subcomplex of the APK.

Followup Commentary

18240047a Tashkent SELSKOYE KHOZYAYSTVO
UZBEKISTANA in Russian No 11, Nov 87 pp 25-26

[Response from V. Antonov, first deputy chairman of the Uzbek SSR Gosagroprom]

[Text] The Uzbek SSR Gosagroprom has considered the article by M. Yuldashev, "Changing Over to a New Planning System," published in SELSKOYE KHOZYAYSTVO UZBEKISTANA No 7, 1987, and considers the issues raised in it concerning improvement of the economic mechanism of the agroindustrial cotton subcomplex in the republic to be crucial and directed toward a search for better forms of integration of agricultural production and the processing industry and increased interest of all units of the agroindustrial complex in achieving the best final results.

In keeping with the decree of the CPSU Central Committee and the USSR Council of Ministers, "On Further Improvement of the Economic Mechanism for Management in the Country's Agroindustrial Complex," the UzSSR Gosagroprom is doing a certain amount of work in this direction. Since 1984 we have had a new policy for accounts with the kolkhozes and sovkhozes for the raw cotton they have released, depending on the quality and the content of fiber in it. This forms new interrelations between the farms and the cotton-cleaning plants. The yield of cotton fiber from the raw cotton of the 1985 crop increased to 32.14 percent. Because of this the cotton-growing farms of the republic received an additional 171 million rubles and their economies were considerably strengthened.

In order to work out under production conditions the problems associated with the transfer of cotton procurement points to the farms and the changeover to accounts for cotton fiber and other cotton products, an experiment is being conducted in introducing such a system in Pskentskiy Rayon in Tashkent Oblast and Kurgantepinskiy Rayon in Andizhan Oblast.

The GOST that is in effect for industrial seeds, which is used to determine the grade of cotton seeds, take into account only the weediness and the fluffiness, and no attention is paid to the oil content in them or any other indicators. Payment is made for the seeds that are received according to the quantity and grade. Hence it is clear that the GOST itself does not motivate cotton-cleaning plants to preserve all of the valuable qualities in the cotton seeds and those indicators on which the yield of vegetable oil from the seeds and the refined oil from unrefined oil depend. As a result, the oil and fat branch fails to receive a considerable quantity of vegetable oil. In order to change over to accounts with cotton plants for preserving the oil and the seeds, it is necessary to have instruments which quickly determine this and other indicators. We do not have them yet, which is the main obstacle on this path, even if the GOST is revised.

At the present time a number of scientific production associations and scientific research institutes are engaged in the development of an automatic system for express analysis of the quality of cotton seeds. The draft of the plan for 1988 refined oil is an established indicator.

The quantity of products of the cotton subcomplex depends on the selection strains of cotton and strict observance of regionalizing and the rules of agrotechnology as well as other factors. The mechanism of economic interrelations between cotton growers and processors itself is not yet perfect. It is too early to assert that we have found a system of accounts that eliminates the thoughtless race for volume of production of raw material. The economic mechanism of the unified branch is in need of significant improvement. UzSSR Gosagroprom and many ministries and departments included in this complex are now engaged in a search for more effective forms for improving the economic mechanism in the republic's agroindustrial complex.

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POLICY, ORGANIZATION

Gostroy Deputy on 1987 Results, 1988 Tasks
18210004a Moscow PROMYSHLENNOYE
STROITELSTVO in Russian No 1, Jan 88 pp 2-3

[Article by L. A. Bibin, first deputy chairman of the USSR Gosstroy]

[Text] A distinguishing feature in the current period of economic development in the USSR is the revolutionary restructuring of our country's economy on the basis of acceleration of scientific and technical progress and a radical economic reform.

"The economic reform," M. S. Gorbachev emphasized at a joint festive meeting of the CPSU Central Committee, the USSR Supreme Soviet and the RSFSR Supreme Soviet devoted to the 70th anniversary of the Great October Socialist Revolution, "is no longer merely plans and intentions and certainly not abstract theoretical considerations. It is entering into life firmly and deeply."

The fulfillment of the assignments of the plan for capital construction for 1987 and the formation of the plan for 1988 took place under new conditions of management in a period of extensive development of socialist competition of labor collectives for a worthy greeting for the 70th anniversary of October—in light of the decisions of the June (1987) Plenum of the CPSU Central Committee and the provisions of the USSR Law on the State Enterprise.

The branch has worked its first year under the conditions of the new management methods. Certain tendencies have already been earmarked and their analysis is of great significance.

The main evaluation indicators of the activity of construction organizations will be the fulfillment of contractual commitments for the startup of facilities, the growth of profit and the growth of labor productivity.

As compared to 1986 the growth rates have increased more stably than in preceding years, the main construction ministries have begun to increase the volumes of contracting work, and the level of fulfillment of the plan with respect to economic indicators of the activity of contracting construction and installation organizations has risen. Thus the startup of fixed capital—the final result of the work of builders—increased by approximately 6 percent as compared to 1986. The volume of work performed in the construction complex increased by almost 5 percent and labor productivity—by 6 percent (while the plan was for 3.8 percent). Thus practically all the increase in the volumes of contracting work was achieved as a result of increasing labor productivity.

Organizations of the construction complex have provided for the startup of more than 500 large national economic facilities and objects and they have fulfilled

the plan on the whole for starting up residential buildings, children's preschool institutions, polyclinics and general educational schools.

In the fuel and energy complex capacities of turbine electric power stations have been introduced, among them turbines at the Pechorskaya GRES, the Novosibirskaya TETs No 5, the Khabarovskaya TETs No 3, capacities for extracting coal, and so forth.

In the metallurgical complex capacities have been introduced for producing steel pipes at the Sinarskiy Pipe Plant in Sverdlovsk Oblast, for extracting iron ore at the Krivoy Rog Central Ore-Enriching Combine, and so forth.

In the machine-building complex capacities have been put into operation for producing large electric machines at the Safonovskiy Electric Machine-Building Plant in Smolensk Oblast, diesels and diesel generators at the Barnaul Plant for Transport Machine-Building, mainline cargo cars at the Zhdanov Plant for Heavy Machine Building, and so forth.

In the chemical and timber complex capacities have been increased for producing synthetic ammonia, chemical fibers and threads, synthetic resins and plastics, paper, and so forth.

In 1987 new facilities began operating in transportation and also branches of the agroindustrial complex and facilities for producing consumer goods.

The policy of accelerating the construction of facilities of the social sphere, mainly housing, has been persistently implemented throughout the country as a whole more than 128 million square meters of overall dwelling space have been introduced as compared to 119 million in 1986. As a total for 2 years from all sources of financing more than 15 million square meters of dwelling space have been put into operation in excess of the five-year plan.

Capital investments for the creation of the material and technical base of the social sphere amounted to 95 billion rubles during the 2 years which is 11 billion rubles more than the assignments of the five-year plan.

Preferential utilization of capital investments for reconstruction and technical reequipment and existing productions as compared to new construction and the creation of additional workplaces—such is the principal line developed by the party and it is being energetically implemented by the economic strategy in the investment policy.

Last year was characterized by the fact that the proportion of expenditures on technical reequipment and reconstruction of existing enterprises increased by 45

percent as against 38.5 percent in 1985. This makes it possible to update the created potential at more rapid rates and to increase its productivity and the effectiveness of its utilization.

Economic growth to an ever greater degree takes place as a result of intensive factors. An important role in solving this problem is assigned to the new economic mechanism.

Results of the activity of the construction complex as a whole were positively affected by the introduction of a system of measures for improving the economic mechanism, a pivotal direction of which was work for mass introduction of the collective contract. Last year practically all construction and installation trusts and organizations of the construction complex on an equal footing with them changed over to this method.

In spite of existing difficulties (elements of instability and formalism in introduction, the still incomplete utilization of social factors, shortcomings in planning and material and technical supply and the organization of construction), the collective contract has proved its effectiveness. Labor productivity in organizations operating under the conditions of the collective contract is on the average twice as high as in organizations that have not been changed over to the contract.

Questions of increasing the effectiveness of the collective contract, developing intraproduction cost accounting, augmenting it with checks and other forms of accounting, and stimulating and assigning responsibility for the utilization of resources were considered at an all-union seminar-conference in Daugavpils in the Latvian SSR in October of 1987. As a result of adding a check system to the collective contract the Daugavpils trust successfully coped with the production tasks and in the first half of the year achieved the same amount of profit as it had during all the previous year.

Intraproduction cost accounting based on the check system should be adopted by construction organizations.

Last year for the first time work for concluding agreements for a contract was completed before the beginning of the planned year. Previously this work continued up to March-April, that is, during the first quarter they worked practically without a plan. Earlier conclusion of the agreements for the contract created conditions to provide for continuous financing of construction projects and prompt accounts for construction and installation work and the delivery of equipment and materials.

At the same time the positive tendencies that have been observed should not cover up existing shortcomings. The plan for the startup of fixed capital is fulfilled only 92 percent. We did not provide for the startup of a number

of facilities on time (at the Astrakhan GPZ, the Volga pipeline, the Sumgant Orgsintez PO and others) and also all of the planned hospitals and vocational and technical schools.

The USSR Ministry of Construction for Southern Areas, the USSR Ministry of Construction for the Urals in Siberia, the USSR Ministry of Construction for the Northwestern Area, the USSR Ministry of Construction for the Eastern Area, and a number of republic construction ministries did not fulfill the plan for contracting work.

The ministries of construction of the Azerbaijan SSR, the Moldavian SSR and the Tajik SSR operated especially unsatisfactorily.

Incomplete construction production is being reduced slowly. Approximately 300 industrial construction projects have been under way for 10 years and more, and two-thirds of them are in the machine-building complex. According to data of the USSR Ministry of Finance, because of exceeding the normative time periods for the construction of facilities the country fails to obtain 2 billion rubles in national income each year. The financial situation in construction is being rectified extremely slowly. As before, a large number of organizations are operating at a loss and they must be changed over to the new economic conditions.

At many construction projects they still allow overexpenditure and losses of construction materials, there is defective work and redoing of work that has been done, and the proper production discipline and material responsibility are lacking. This shows that the collectives of the main construction ministries are not fully providing for the fulfillment of party and government decisions concerning increasing state, labor and planning discipline, changing the economy over to a mainly intensive path of development, introducing the achievements of science and technology into construction production, and concentrating material and technical resources and labor force primarily on startup objects.

The state plan for the economic and social development of the USSR during 1988 was developed in keeping with the points of the 27th Party Congress, the January and June (1987) plenums of the CPSU Central Committee and on the basis of the assignments of the 12th Five-Year Plan.

The year 1988 has special, key significance in the steady implementation of the CPSU strategic course toward acceleration of the country's socioeconomic development in the strengthening of the dynamism of the restructuring that is under way in the country. The plan is directed toward solving a problem of principal importance: achieving growth rates of production and national well-being that exceed the average annual rates for the five-year plan.

In 1988 it will be necessary to take decisive steps for creating an integrated, effective and flexible system of management of the national economy, to carry out a large-scale changeover to work according to principles of complete cost accounting, self-financing and self-management, and to provide for unwavering implementation of the USSR Law on the State Enterprise (Association).

The main task when developing plans for capital construction was development of new approaches in determining efficient paths of development of the national economy through the effectiveness of capital investments and not simply dividing them up among the branches.

When forming the plan for capital construction a task was set to accelerating the updating of the existing production potential, to further increase the aggressive development of the economy, and to provide for priority in the construction of facilities of the social sphere.

The overall volume of capital investments from all sources of financing will amount to 202 billion rubles or a 3.6 percent increase over the 1987 plan, and for construction and installation work—101.4 billion rubles or a 2.9 percent increase. The proportion of production capital investments used for reconstruction and technical reequipping will increase to 47.5 percent in 1988.

In 1988 there will be a significant increase in the proportion of internal funds of the associations and enterprises. They will amount to 55.5 billion rubles.

The startup program for 1988 basically provides for the fulfillment of assignments of the five-year plan envisioned for that year. It is planned to start up considerable volumes and a broad range of production capacities in all branches of the national economy and industry. Thus, for example, in 1988 the program for the development of the fuel and energy complex of Siberia will continue to be implemented. It is intended to start up the sixth energy block with a capacity of 800,000 kilowatts at the Surgutskaya GRES-2, the Noyabrskiy Gas-Processing Plant for processing casing head gas with a capacity of 1.07 billion cubic meters, and the main gas lines from Yamburg to the western border of the USSR, Yamburg to Tula (first section), and the northern regions of Tyumen Oblast to Surgut to Omsk.

The construction and startup of the capacities for producing and continuous smelting of 2 million tons of steel and the production of 400,000 tons of prepared rolled metal and 320,000 tons of sheet aluminum are being accelerated at the Cherepovets Metallurgical Combine in 1988.

Assignments are to be carried out for starting up production capacities of the construction base in the Transbaykal area (a plan for reinforced concrete items in Ulan-Ude, a plant for ceramic wall materials in Guseynocersk, and others). The high-speed method that is

used at the Rzhnevskiy Crane Construction Plant will have to be used also to construct nine plants of the Ministry of Construction, Road and Municipal Machine Building. These include plants such as Volgotssemash in the city of Tolyatti, where capacities will be introduced for introducing crushers and autoclaves, the Kostromy Stommashina Plant, where they will manufacture crushing and sorting equipment, the Borodianskiy Excavator Plant, which will begin to produce universal construction machines, and other enterprises. Their products will basically be used for reconstruction of the material and technical base of the construction industry, mainly for the construction of housing and facilities for social purposes. The high-speed construction of these enterprises is an immediate task which requires efficient organization of the work in all stages of the planning-construction conveyor. This construction should be constantly in the field of vision of both the republics and the ministries.

In 1988 the material base of the social sphere will develop at much more rapid rates: 128.9 million square meters of residential buildings will be constructed. The earmarked volumes of housing construction will make it possible to improve the living conditions for approximately 11.5 million people. On the whole during 3 years of the five-year plan residential buildings will be introduced with an overall capacity of 24 million square meters more than stipulated by the five-year plan. It is intended to construct schools to accommodate approximately 1.7 million and vocational and technical schools—for 189,000. It is planned to start up kindergartens and day nurseries to accommodate almost a million, which also exceeds the indicators of the five-year plan. It is intended to construct in excess of the five-year plan children's homes, boarding schools for orphans, boarding houses for the elderly, homes for children, clubs, rayon houses of culture, theaters, and movie theaters.

Public health will be further developed. New hospitals with 78,000 beds will be introduced and the capacities of outpatient polyclinic institutions will be expanded by 200,000 visits per shift.

The introduction of production capacities financed by state centralized capital investments and capital investments from funds of the enterprises and organizations for many kinds of productions are envisioned in the plan with a certain increase in assignments over the five-year plan for 1988. This pertains to the startup of capacities for extracting coal, iron ore, smelting steel, producing steel pipes, metal-cutting machine tools, automated and semi-automated machine tool lines, forge and press machines, industrial robots, cement, and whole milk products, and the startup of milling enterprises for high-grade milling, storage facilities for potatoes, vegetables and fruits, and several other capacities and facilities.

In a number of rayons, because of the need to provide for the planned startup of production capacities and increase the volumes of work on large carryover construction projects, the program for territorial main administrations for construction is increasing at more rapid rates. Plus the volumes of contracting work in 1988 will increase by more than 15 percent as compared to 1987 in Glavbranskstroy, Glavivanovstroy, Glavnovgorodstroy, the Kostromastroy Association of the USSR Ministry of Construction for the Northwestern Area, Glavnizhnevolzhskstroy, Glavkuybyshevstroy, Glavpenzastroy of the USSR Ministry of Construction for the Southern Area, Glavkurganstroy and Glavomskstroy of the USSR Ministry of Construction of the Ural and Siberian area, Glavchitastroy, Glavburyatstroy and Glavvostoksibstroy of the USSR Ministry of Construction for the Eastern Area, and so forth.

This places a special responsibility on workers of the ministries and main administrations and requires that they pay special attention to the utilization of existing production capacities of the construction industry, housing construction, technical equipment, and capacities for organizing production work in these regions.

A principal feature of the development of the plan for capital construction is the fact that it was formed "from below," with the participation of those who will have to implement it. Capital investments, material and technical resources, and capacities of contracting organizations were concentrated in the most important construction projects and facilities that provide for a reduction of the time periods for construction and acceleration of the economic and social development of the branches and the national economy as a whole.

It should be noted that the plan for contracting work for 1988 was formulated in a qualitatively better way than in preceding years. As a rule, it was based on indicators of title lists of carryover construction projects that were drawn up for the entire period in keeping with the norms for the duration of construction. Local agencies took a more responsible approach to preparing suggestions for the draft of the plan for contracting work for 1988.

Work on the plan for capital construction began earlier than it has in preceding years. This made it possible to reveal the bottlenecks in the plan promptly and to work out the startup program for the state order more concretely. For the first time the USSR Gosstroy participated directly in all stages of forming the plan for contracting work.

Special attention has been devoted to the production capacities of the state order. But, as in preceding years, we did not manage to achieve uniform distribution of the startup of capacities among the various quarters. Of the 1,060 startup capacities of the state order 844 (80 percent) were envisioned for the fourth quarter (for the

construction complex 412 and 511 capacities—81 percent). The main reason for this is the impossibility of delivering the basic technological equipment at earlier times.

The overall volume of contracting work according to the plan for 1988 is 111.5 billion rubles with an increase of 4.2 billion rubles or 3.9 percent over the plan for 1987.

Taking into account the need to provide for accelerated development of the material and technical base of the social sphere and also the higher growth rates of the limits of construction and installation work for branches of industry that determine scientific and technical progress for which the general construction ministries are the main contractors, the program of contract work for the various ministries of the construction complex was formulated as fairly difficult.

The growth rates of the volumes of contracting work for the various union republic construction ministries are 4.8 percent of the 1987 plan as against 4.4 percent according to the five-year plan. Moreover, the volumes of contracting work for the various union republic construction ministries have been adopted strictly in keeping with the precise assignments of the five-year plan, taking into account additional volumes of work in connection with the transfer of a number of construction organizations of the USSR Ministry of Power and Electrification to their jurisdiction.

For a number of construction ministries of union republics the program for contracting work for 1988 was formulated by the councils of ministers of the union republics with a certain increase in the assignments established by the five-year plan. This is explained mainly by the need to fulfill volumes of work not envisioned by the five-year plan that were linked to the elimination of the consequences of the natural disasters (quotas for construction and installation work in excess of those established by the five-year plan were set for these purposes), and also in the fact that the councils of ministers of the union republics increased the volumes of work for objects of the republic economy and the production base of construction and installation organizations under their jurisdiction.

The difficulty of the planned assignments for capital construction for 1988 makes it necessary to significantly accelerate the process of restructuring of the work of collectives of construction organizations, enterprises of the construction industry, and automotive transportation.

It is necessary to devote special attention to the work of enterprises of the production base for construction.

In order to provide for carrying out the growing program of contracting work, the plan envisions considerable funds for the development of the internal production

base of construction and installation organizations. Taking into account the funds of the ministries and the client departments that have been brought in through shared participation, about 5 billion rubles' worth of capital investments have been allotted for the development of the branch "Construction and the Construction Elements and Parts Industry," including more than 1.5 billion rubles for construction and installation work. The capital investments that have been allotted have been used for completing the construction of carryover enterprises of the construction industry associated with the solutions to immediate tasks of raising the level of industrialization and for technical reequipment of existing enterprises.

In 1988 it is intended to start up capacities for large-panel housing construction for 3.8 million square meters and residential buildings (in 1987—2.6 million square meters were actually introduced) and for the production of large-panel parts for other facilities of the social sphere for 1.1 million square meters.

Work is being continued to search for equipment and fittings resources for use at plants for large-panel housing construction.

Assignments have also been earmarked for accelerating the introduction of new technical equipment and technology and increasing the proportion of progressive kinds of construction-installation work and industrial products.

It is possible to provide material and technical resources for the volumes of construction set for 1988 only with a decisive amount of resource saving.

It should be noted that the effect of the new economic mechanism is just coming into being and it still has a weak effect on the savings on material resources.

Under these conditions it is necessary to devote special attention to the development of organizational and technical measures for economizing on resources and for the ministries and labor collectives to constantly keep track of them.

Taking into account the fact that in the quotas and balances of material resources allotted for capital construction for 1988 the assignments that have been set for economizing exceed the indicators of the five-year plan, the USSR State Construction Committee considered this issue at its regular meeting on 10 October 1987 and approve in a comprehensive program developed in conjunction with the ministries, departments and councils of ministers of the union republics for providing for balance of the plan for construction and installation work for 1988 with the material and technical supply as a result of implementing large-scale measures for economizing on resources, fully utilizing the production capacities that have been created and further developing the material and technical base for construction.

A most important area of resource-saving earmarked in the program is acceleration of the introduction of the achievements of scientific and technical progress on the basis of 16 target scientific-production-technical programs of the USSR Gosstroy which envision, beginning this year:

the introduction of intensive separate technology for preparing concrete mixture, the creation of milling installations for manufacturing multicomponent binding materials utilizing local raw material and secondary resources;

the introduction of lightweight prefabricated building made of reinforced concrete with a high level of plant readiness and increased construction of facilities for social and cultural purposes made out of progressive large-panel reinforced concrete elements that make it possible to considerably reduce the expenditure of rolled metal;

significant expansion of the construction of buildings made of single large pieces.

Ministries of the construction complex should take additional measures for improving the utilization of the existing fleet of machines and automotive transportation.

The board of the USSR Gosstroy has considered the question of the experience in changing automotive enterprises in construction over to the new conditions of management, which provides for a considerable improvement of automotive transportation, and adopted a decision to disseminate this extensively.

Machine-building capacities are developing within the construction ministries.

Measures have been drawn up for introducing in 1988 state acceptance at housing construction combines and enterprises that produce reinforced concrete elements, carpentry items and construction materials for fully prefabricated housing construction, and beginning in 1989—at all enterprises of the construction industry and the construction materials industry that manufacture products for civil housing construction. The USSR Gosstandart is responsible for this acceptance.

The implementation of the tasks set by the June (1987) Plenum of the USSR Central Committee for strengthening the orientation of production toward the final results for builders is largely linked to the changeover to the construction of "turnkey" facilities. This course was earmarked as the final goal of the organizational restructuring by the Decree of the CPSU Central Committee of the USSR Council of Ministers adopted last year. The majority of construction ministries have developed measures for changing over to "turnkey" work. This means that during 1988-1989 this method will be basically

introduced in the construction of housing and facilities of the social sphere. But in practice the earmarked measures are being implemented extremely slowly.

In essence "turnkey" construction has not gone beyond the stage of experiment. Thus in the plan for 1988 the ministries earmark carrying out no more than 20 percent of the overall program for civil housing construction by this method.

The introduction of the new management conditions which envision strict economic sanctions for failure to meet the deadlines established by the plan for the startup of facilities and capacities and the increased requirements for prompt provision for startup projects of planning estimates that correspond to the modern scientific and technical level and technological equipment have revealed the lack of preparedness of a number of enterprises (associations), ministries and departments for carrying out the assignments of the five-year plan for starting up certain production capacities.

A board of experts of the USSR Gosstroy 40 newly begun construction projects of 15 ministries, it returned 20 percent of them for further work, but still the ministries suggested including eight of them in the plan for new construction projects for 1988. Among them were the Brest Electric Light Bulb Plant of the Ministry of the Electrical Equipment Industry, the Dmitrovgrad Chemical Machine-Building Plant of the Ministry of Chemical Machine Building, the Rezekne Elektrostroyinstrument Plant of the USSR Ministry of Construction, Road, and Municipal Machine Building, the Complex of Producing Cord and Industrial Thread of the Krasnoyarsk Khimvolokno PO of the USSR Ministry of the Chemical Industry, and others.

There continues to be a large flow of requests for permission to construct enterprises and associations without planning estimates approved under the established policy and especially for special deadlines for developing and submitting working documentation, without which it is impossible to promptly place orders for materials and elements or to plan the work of construction organizations.

This policy of "beneficial" financing stands in contradiction to the requirements for changing construction and installation organizations over to complete cost-accounting and self-financing, and it does not correspond to the principles and provisions of the USSR Law on the State Enterprise (Association).

The assignments of the 1988 Plan require specific organizational work for providing for implementation of the investment program, the strictest conditions for economizing on material resources, and the proper preparation of construction organizations for carrying out state acceptance.

And it is a matter of honor for the army of many millions of builders to cope with the difficult and responsible tasks which can be solved only at the price of hard, self-sacrificing work from everyone from the leaders of ministries and republics right down to each individual builder.

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Concern Over Rising Prices Expressed

Moscow LITERATURNAYA GAZETA in Russian
17 Feb 88 p 12

[Article by Anatoliy Rubinov: "The Price Increase Department"]

[Excerpts] There are certain popular signs: if the ash-berry ripens, expect a hard winter, and if some product has vanished from the stores, expect an increase in prices.

It has been that way a thousand times—with the ash-berry, and especially with goods. Someone knows our forgiving nature well: we have missed a product so much that when we see it, we reach into our purses, cursing, and pay for it anyway. And we forget that they explained to us: fuel has become more expensive throughout the world, they say, and somewhere in a hot country there was no coffee crop at all, and prices everywhere have risen for this reason. Simpletons that we are, we understand it this way: if there is a good crop in Brazil and Colombia, world prices will drop, and everything will fall into place for us. But prices are not crayfish; they never move backward.

Judging by the certain popular sign, we must now expect an increase in prices for toothpaste: it has vanished! There is none anywhere! Old-fashioned tooth powder, which our commercial managers ridiculed at one time, is in demand. No one in the world still cleans their teeth with crushed chalk, they say. But not even the powder is everywhere. Now a long line has suddenly formed at the "Galantereya" [dry goods store] nearby. There have never been lines at the "Galantereya," except when they were "giving" French brassieres. The present line was long, almost like 4 o'clock in the afternoon at a store for vodka, and it was not made up of women alone, as when the desired women's accessories are being dispensed, and there were not only men, as it would be for the desired bottles. You guessed it—they were "giving" toothpaste! Not French, but the Italian "Benefit." No one knew what this was until now. The word "benefis" [benefit performance] passed down from the head of the line—this is how they read the unfamiliar word; everyone was happy about the benefit performance of the toothpaste and did not notice that they were asking a ruble and 25 kopecks for the tube. "Leningradskaya," which is not a bit worse than "Benefit," and is even 6 grams larger, costs nearly three times less—45 kopecks.

But now the "benefis" has also come to an end. Quite recently any toothpaste—domestic, Vietnamese, Syrian, German, Italian—went for 25 kopecks. Even the finest "Signal," from which one would squeeze out a delightful red and white string of paste.

I fear that one of the persons who think up prices saw the line for expensive toothpaste, which is essentially the same ground chalk with some additives, at our "Galantereya." Perhaps the "benefis" was only a check of our

readiness to loosen our purse strings? There is no expensive Italian toothpaste now, either. After an interval helpful for inflating prices, maybe they will bring us something from Brazil or Colombia and begin selling it at a ruble and a half and account for the price increase by the long and perilous trip.

Who is keeping track of the increase in prices? Who sets the limits? We know only that prices are set... Now the list of ministries and departments that set prices for their goods and services has been extended. So long as we have no competing departments producing the same goods or providing the same services, the buyer and customer may be ignored. If you don't want to buy the expensive Italian toothpaste, go around with dirty teeth or crush the chalk with a mortar and pestle at home yourself, and add some eau de cologne to make it smell good, and celery and parsley juice for vitamins.

Quite recently in Moscow they very quietly raised the fee for exchanging apartments, swimming in the pools, using the intercity telephone, and for services in stomatology polyclinics... I recall when they very loudly abolished the 10 kopecks for going into the park and for using public toilets. This was reported in all the newspapers and at a session of the city soviet!

I realized where I should go with my questions: to the city soviet! They have a prices department there. While this department isn't concerned with toothpaste—our Gosagroprom [State Agroindustrial Committee] produces the domestic kind, and the Goskomtsen [State Committee on Prices] sets the selling price for the imported kind, everything mentioned, I thought, concerned the prices department of the Moscow Gorispolkom. There are ordinary persons there who receive modest salaries, and while they cannot influence the rise in price for toothpaste, they see that the toiletry they use in the morning and at night has become a little more expensive, just the same. God forbid that they have toothaches on Sunday, when the free polyclinics are closed, and that they swim in the pools, or use the telephone, or change their apartments. Who, if not the department of prices of the city's soviet of people's deputies, should see to it that ministries and departments do not treat the people badly in their departmental effort to improve their indicators in the easiest possible way?

I met with courteous, educated, and even charming persons in the prices department: who, it turned out, understand their official functions, though quite differently than one would assume. These nice people have not been working in the Moscow Soviet long and they are not responsible for the fact that all the bathhouses that were repaired have tripled and quintupled their prices although no new services have been added and for the fact that the Mostransagentstvo [Moscow Transport Agency] has raised prices for the use of trucks, although

they have not started moving any faster. The persons who have these "improvements" on their conscience are no longer in the Moscow Soviet.

Just what have the new people done in 6 months?

They responded: they raised prices only at the cost-accounting [khozraschetnyye] stomatology polyclinics to real kopecks and the charge for exchanging apartments to real rubles. Moreover, they did not do this, the ispolkom did. As far as the pools are concerned, a decision was adopted—by the ispolkom!—to leave all sports prices to the discretion of the sports committee itself. And as far as the intercity telephone exchange is concerned, the Moscow Soviet has never dealt with the prices for communications in general. Moreover, this involves only 5 kopecks. Is it worth getting worked up about?

The Moscow Central Telephone Exchange has raised the price for each call by 5 kopecks. This is not a lot of money, but it is able to increase the financial indicators of the exchange substantially, to put it in the best light and create the outward appearance that service has improved a great deal—without increasing the staff, and without increasing efficiency in line use. In a word, without improving matters. At least 400,000 calls are made through the exchange in a day. So 400,000 unearned 5-kopeck coins amounts to 20,000 rubles, and for this entire leap year, 146,400,000 5-kopeck coins adds up to 7.32 million unearned rubles. Is it worth it for the exchange to struggle to improve service to customers—this is always troublesome—when it has had such fantastic success by extracting just one 5-kopeck coin from the pocket of each customer?

The manager of the exchange, V. F. Gurkin, publicly explained the unfair gain of 5 kopecks this way—on Moscow television: telephone calls are always made on credit. Indeed, you first dial a number in Leningrad on your home telephone and later you pay—when they send the bill.

The administrative zeal to acquire unearned money that belongs to others is amazing! What is most amusing is that a department always finds the same explanation, as in the old anecdote about the restaurant waiter who took money from customers both because they listened to the music and because there was no music, which enabled them to have more relaxation.

Communications workers are taking extra money because there has been music, but railroad workers are taking it because there hasn't been any. About 10 years ago LITERATURNAYA GAZETA first asked the question: why do train stations and airports demand extra money for a ticket sold in advance? This is called a commission duty. It was 30 kopecks at that time. A passenger was penalized three 10-kopeck coins because he gave advance payment to the Ministry of Railways, which is able to plan its work better thanks to the

passenger's foresight. How did the attempts by LITERATURNAYA GAZETA to demonstrate the illogical conduct of the MPS (Ministry of Railways), which made a profit from the ticket shortage arranged by the ministry, turn out? After all, if one could get a ticket before a train's departure, no one would stand in line ahead of time and pay extra for it. In response to criticism of the ministry, the commission duty was increased... Now it is 50 kopecks, and under another name that was thought up—a reservation—it amounts to another ruble. Everyone who vacations at holiday hotels and sanatoriums pays an extra ruble and a half for fear of not returning home. They pay nearly a month in advance. Only the ministry knows how much not entirely honest profit can be made from 400 million long-distance train passengers that are scared about a shortage every year.

How does the Ministry of Railways explain the fact that it takes a percentage because it is given a large amount of money in advance? It is very interesting: the necessity of retaining the cashiers... as if there were neither tickets nor ticket offices before commissions were levied.

Aeroflot also has raised its commission duties and brought the word "reservation" into use, but it went even further: it takes money 40 days ahead of time as well.

What contrasting explanations the communications and railroad workers have! But the objective is the same: to take even more from subscribers' and passengers' pockets.

The charge to swim has been increased by 25 kopecks at the "Chayka" pool, by 20 kopecks on Mironovskaya Street, and at the "Oktyabr" by 30 kopecks. At the Moscow Sports Committee they explained this increase in prices as restructuring... And at each step they repeated the popular word "cost accounting." The sports complexes are operating at a loss, you understand. In order to remedy this, they proposed that the customers compensate for the losses incurred.

But perhaps there is another means of improving the economy: improving the management of affairs to enhance the appearance of cost accounting? I recall that I stood in the wind for an entire hour in a long line at the only cashier's office in operation at the "Moskva" pool. The cashier was in no hurry and apparently was testing the public's persistence and coolness. Many did not pass the test, and left for home with their swimming equipment to take a swim in the bathtub. The next time I did not get in, although I arrived in good time, and the time after that it took an hour and a half. And when swimming was begun, it turned out that half the pavilions were closed, although the pool, naturally, was quite full and the water was splashing over the banks of the dark entrances that were closed. According to my estimates, the cashier incurred a loss of some 10 to 15 rubles for this in only an hour and a half.

I told my story at the Sports Committee, and they explained everything there: the cashier receives just 75 rubles a month, you see. But she incurs more loss in one day of work! The huge bowl of water, open to the sky, is heated up for no reason, and a column of steam of identical height rises above it; sometimes a thousand persons and sometimes a hundred enjoy the water. The amount of steam depends not on the number of swimmers, but only on the street temperature. But the pool's income depends on the number of swimmers. Is it really simpler to raise the entry fee than to add a second cashier? Is it easier than resuming the previous advertising, which used to draw in thousands of swimmers even on a cold day, thereby providing for the pool's complete self-support?

Any bungling may be justified by righteous talk about cost accounting and self-support, and by exploiting a slogan in vogue, prices may be increased for everything they didn't dare to make an attempt at before.

Many Moscow residents have suddenly begun to pay a little more for an apartment. For the same square meters which have not increased over the years and for the same conveniences which are not being added. Housing is shifting to cost accounting, and all the losses from economic laxity are shifting to the residents. Moscow resident V. Belov reported that for many years they took 40 kopecks per month from a person for water, now it is 67 kopecks; previously he paid 40 kopecks for heat as well, but now that is nearly twice as much—70 kopecks. Maybe V. Belov has started drinking more water and has really begun swimming in the bathtub in response to the higher pool prices? No. There is a new rule now: they look at a common water gauge to see how much water has gone through the house and been drained and divide this by the number of residents. They send the DEZ [expansion unknown] a bill from the district heating plant and divide it by the number of residents, so that everyone pays equally.

After all, for goodness' sake, far from all the water and heat consumption depends on the occupants of a house! Several years ago the newspaper reported that a river of hot water was pouring into the street from one house for an entire week. It was winter, and a cloud of steam was hanging over Samotechnaya Square just as it was over the "Moskva" pool. This steaming left a huge skating rink on which vehicles ran into each other. Under the current approach to the matter, they would have had to penalize the residents of the building because good-for-nothing plumbers were to blame for letting so much hot water run off.

Not only enterprising managers have become fond of the new words "self-support" and "self-financing." They are liked much more by managers who are lazy on the job. These words justify their inability to work. Such persons may look like pacemakers who have shifted to the new methods of economic operation, but they have really simply shifted customers, clients and passengers to

new, higher fees. It turns out that poor management is being subsidized by the public. By taking more and more money from their pockets, they make it possible for the managers who take advantage of words that are in vogue to look like persons in the vanguard.

The urge to raise financial indicators at any cost leads to amusing incidents. The Moscow Special Trust for Personal Services has also decided not to lag behind what is in vogue...

We must first explain what a special trust is. This title does not have the "noble" aspect of the titles "special polyclinic," "special dining room," the "special pavilion" at a pool, or a "special section" at a store. Special trust is a euphemism for the somber institution which previously was quite candidly called the funeral services trust.

So this somber special trust decided to make its somber services self-supporting and self-financing. Announcements appeared at all the cemeteries that henceforth and for all time a rental will be charged for upkeep of the urns with the remains of the deceased. As in the theater, they take different payments for poor places and good ones. The rental is 3 rubles annually for the poor places—in an open columbarium, that is, in a wall with niches where they place the vases with the ashes. For a place in the "front row"—sorry, in the enclosed columbarium, it costs 13 rubles and 50 kopecks. This way the ordinary walls with small niches become much more profitable than residences. A multistory building for the remains of the deceased, an entire skyscraper which requires no expenditures for hot and cold water, lighting, cleaning the stairs, and so forth—everything that makes residential buildings expensive—can be built in the enclosed columbarium.

I wanted to find out the details of this innovative economic enterprise, and I telephoned the special trust. The deputy manager, V. G. Alekseyev, said that he could not discuss this on the telephone, as if I had asked him to tell a political anecdote or reveal a state secret. I simply wanted to know what they would do about persons who default in payment. Will they evict the "tenants" for whom no one pays? After all, they show the door to persons at music schools and even kindergartens if they haven't been paid for. What will happen to the remains of an old woman who is the last in the family, who has outlived everyone, and was buried by strangers? Will they really shake out her ashes and scatter them? And is it fair to penalize with the ruble those who are more grief-stricken than others? How many families have many loved ones whose remains are lying in columbariums! It turns out that the greater the sorrow, the greater the expense, since the rental should be paid annually, and buying a tiny niche in a cement wall in perpetuity is probably impossible, so that persons do not have private property in a state cemetery.

Indeed, by following the path of self-financing and self-support, by applying this slogan indiscriminately and compromising it, one can make a cemetery a very profitable enterprise! No maids are needed there as with houses for visitors and no electricians or plumbers are needed as with houses for permanent, living occupants. And the economic prospects for cemeteries are truly magnificent. Demographers speak about the aging of the population and note that nearly one-fourth of the capital's residents are pensioners. In time, they themselves or those close to them will be able to greatly improve the economic indicators of the Special Trust for Personal Services.

A kopeck for a trolley bus, 2 kopecks for a streetcar, 5 kopecks for a telephone, 10 kopecks for the pool, for shaving cream, toothpaste, hot and cold water, the movies, the baths, and bread; rubles for a columbarium at the cemetery and to change apartments; tens of rubles for a travel authorization to a rest hotel or a sanatorium, and even more money for tourist permits—a referendum has not yet begun on prices, but prices have increased, and no one, no one, is stopping those who have their eye on unearned profit, taken from the consumer's pocket. The article "Why Life Is Becoming More Expensive" made the suggestion that every increase in prices be forestalled by discussion in commissions of deputies of the local soviets of people's deputies. This article met with a tremendous response—more than a thousand letters were received, and this suggestion was not called into question in any of them. People agree that there should also be a commission on prices in every local soviet, along with the other permanent commissions. The Moscow Soviet has commissions on transport and communications, housing, cultural and domestic services, culture, physical education and sports, and other commissions. Is the soviet of people's deputies really indifferent to the status of prices and their changes which concern every voter? Unfortunately, not one of the ispolkoms of local soviets sent a letter containing an assessment of this proposal.

This is why I went to the department of prices in the Moscow Soviet and found out that it is not named accurately: this is the department of price increases. A copy of the booklet with the Law on the State Enterprise is displayed prominently on each desk there. It is apparent that they have studied this law well, but selectively. They have learned only those parts which mention the opportunities for contract prices, that is, increased prices. These parts were underscored in red and blue, but there are no marks in those parts that mention the necessity of monitoring prices and prohibit groundless, arbitrary, and excessive price rises. It is obvious from this what objectives the department of prices is setting for itself. And it is obvious how they are achieving them from the fact that no one is putting obstacles in the way of a person who wants to better his position at any price, at the cost of the consumer, and to take away a kopeck or a ruble—from the living for himself or for the dead.

Roundtable Discussion Evaluates APK Food Sector

18270037 Moscow PISHCHEVAYA

PROMYSHLENNOST in Russian No 1, Jan 88 pp 4-9

[Roundtable discussion: "Urgent Problems of the APK Food Sectors: Economic Management Methods: Analysis, Searchings, Recommendations"; first six paragraphs are PISHCHEVAYA PROMYSHLENNOST introduction]

[Text] How to expand the scale of applying economic management methods to the food sectors of the APK [agroindustrial complex] under the new economic conditions—this was the question discussed at a "roundtable" meeting held in Odessa last September. Its organizers were the Department of Industrial Economics, Odessa Technological Institute of the Food Industry imeni M.V. Lomonosov and the editors of the journal PISHCHEVAYA I PERERABATYVAYUSHCHAYA PROMYSHLENNOST.

The participants in the meeting examined problems of increasing the effectiveness of utilizing economic methods under the new economic conditions at various management levels of the APK, and they thoroughly analyzed the factors delaying this process.

The atmosphere of the meeting was conducive to a free and creative exchange of opinions among the economists and specialists on the urgent problems of the theory and practice of improving the economic mechanism. A commonly shared understanding was manifested among the VUZ scientists, the APK specialists, and the industry officials concerning the problems involved in the area of assimilating the new economic methods. A great deal of attention was paid to discussing shortcomings in the methods being used to implement and introduce the basic principles of the USSR Law "On State Enterprises (Associations)" to each enterprise and each employee.

Noted here was the tenacity of the "arbitrary" planning mechanism under conditions of weak economic dependence between the production subdivisions and the APK's administrative organs at various levels. There was sharp and motivated discussion by the participants in the meeting about the problems of price formation on raw materials and food products, as well as regarding the distribution of enterprise profits, which is important for the successful assimilation of the new economic mechanism. They brought up problems regarding the improvement of production organization at food sector enterprises, wages and work incentives for various categories of employees.

Taking part in the discussion were the following staff members of the Odessa Technological Institute of the Food Industry imeni M.V. Lomonosov: professor and doctor of technical sciences E.I. Zhukovskiy; candidate

of technical sciences A.F. Zagibalov; doctor of technical sciences and head of the department of industrial economics O.A. Turetskiy; professor, doctor of economic sciences, and head of the department of political economy, V.A. Petrishchev; professor, doctor of philosophical sciences, and head of the department of philosophy Chaguenko; professor, doctor of technical sciences, and head of the department of organic chemistry M.S. Dudkin; as well as the candidates of economic sciences and docents F.Z. Mardarovskiy, O.P. Antoniuk, V.A. Stokolos, L.T. Zvyagintseva, L.L. Lobotskaya, L.K. Domasevich, L.E. Gorchinskaya, V.D. Gulakov, K.A. Rossman, L.I. Tarasyuk, and A.Ya. Flig. Also participating in this roundtable discussion were the following: candidate of economic sciences and editor-in-chief of the journal PISHCHEVAYA I PERERABATYVAYUSHCHAYA PROMYSHLENNOST' Ye.I. Lebedev; deputy editor-in-chief of the journal PISHCHEVAYA I PERERABATYVAYUSHCHAYA PROMYSHLENNOST' M.V. Karapetyan; division chief of the Main Economic-Planning Administration of the Ukrainian SSR Gosagroprom [State Agroindustrial Committee] V.F. Sobolenko; professor and head of the department of industrial economics at the All-Union Food Industry Correspondence Institute G.V. Kruzhkov; chief of the educational section of the Institute for Upgrading Skills of the USSR Ministry of the Maritime Fleet (in the city of Odessa) V.L. Yakimenko; director of courses for upgrading the skills of management personnel and specialists in the national economy at the Odessa Technological Food Industry Institute imeni M.V. Lomonosov G.V. Yakovets; deputy director of the Odessa Branch of the Institute for Upgrading Skills of the Ukrainian SSR Gosagroprom G.S. Yaroshevskaya; candidate of economic sciences and sector head of the Konservpromkompleks [canning-industry complex] Scientific-Production Association N.A. Skalozubova; head of the economic-research division of the Konservpromkompleks Scientific-Production Association T.Ya. Gromova; candidate of economic sciences and deputy director of the Odessa Center for Standardization and Metrology I.Ye. Lavandovskiy; division chief of the Gosnadzor [State Inspectorate] for Agricultural Product Quality at the Odessa Center for Standardization and Metrology E.S. Fedyaeva. Also participating were the following staff members of the Odessa Oblast Agroindustrial Committee—chief of the industrial-finance subdivision E.N. Vorotynskaya; chief of the enterprise-planning subdivision M.V. Bogdan; the leading specialist Z.P. Polonskaya; general director of the Sokovinprom [juice-and-wine industry] Association I.I. Ponomarenko; deputy chairman of the Odessa Oblast Food Industry NTO [Scientific and Technical Association] P.M. Melnichuk; deputy head of the Odessa City Finance Division V.S. Klyushnichenko; deputy director of the Antarktika Production Association M.S. Shmushkin; director of the Odessa Experimental Champagne Plant O.S. Melnikov; chief of the economic-planning division of the Odessa Meat Industry Production Association T.S. Vorobkalo; chief of the

economic-planning division of the Odessa Sugar Industry Production Association L.Z. Polyanskaya; and candidate of economic sciences, the journalist G.V. Rybakov.

In opening the "roundtable" meeting, the pro-rector of the Odessa Technological Institute of the Food Industry imeni M.V. Lomonosov, Professor E.I. Zhukovskiy emphasized the urgency of the problems being examined in connection with implementing the ideas of perestroika, the need to search for a work out the best management systems, the economic mechanism, enriching the contents of the work, and restoring health to its conditions.

The "roundtable" session was chaired by the head of the department of industrial sciences of the Odessa Technological Institute of the Food Industry imeni M.V. Lomonosov, doctor of economic sciences O.A. Turetskiy.

We are publishing here the speeches (in abridged form) by the participants in the meeting.

O.A. Turetskiy:—After the April (1985) Plenum of the CPSU Central Committee, Soviet society entered upon the path of radical changes in all spheres of life and, above all, in economic life.

Implementation of the decisions of the 27th party congress, as well as those of the January and June (1987) Plenums of the CPSU Central Committee, which specified the strategy and the measures for accelerating the country's socioeconomic development, is linked with the radical perestroika of managing the national economy; with improving the economic mechanism, based on economic and organizational methods of activity; with imparting to the economy dynamism, precise organization, and its receptivity to scientific and technical progress; with the democratization of production life; with using all measures to develop the initiative of the masses and to activate the human factor.

During the course of work on perestroika with regard to managing the economy, and, above all, on improving the economic mechanism, we must provide the conditions which guarantee an increase in the social and economic effectiveness of public production. It is important to recognize that the economic mechanism, its contents and form, are defined primarily by their purpose, by their social function, which consists of forming the economic method to achieve the principal goal of socialist production—the fullest possible satisfaction of the society's need for commodities (products). Therefore, in the sphere of material production we must create, products, methods of their consumption, as well as prerequisites for the subsequent reproduction of consumption, taking people's new demands into account. Consequently, development of the economic mechanism reflects the action of specific economic laws.

Under the conditions of perestroika it is important to increase production efficiency in all economic units, above all, in the economy's basic units—at enterprises and in associations. An important measure in this area was the adoption of the USSR Law "On State Enterprises (Associations)," which went into effect on 1 January 1988.

Problems of changing administration and improving economic management methods are also urgent for the agroindustrial complex and its processing sectors, which is attested to by the CPSU Central Committee's adoption in September 1987 of the decree "On Urgent Measures for Accelerating the Solution of the Food Problem in Accordance with the Positions Taken at the June (1987) Plenum of the CPSU Central Committee."

We have gathered here today in order to discuss and evaluate the effectiveness of the measures being taken to improve the economic management methods in the food sectors of the APK at the intersectoral, sectorial, regional, and intra-production levels.

Before proceeding to the discussion of the "roundtable" topic, I would like to focus the attention of its participants onto an examination of the following three groups of problems: improving administration and planning under the conditions of perestroika; improvement in providing economic incentives, self-financing, and cost accounting; as well as the "human factor," wages, and labor incentives under the conditions of perestroika.

In 1987 the agroindustrial complex, along with other sectors of the economy, began operating under the conditions of the new economic mechanism. The fundamental directions of its improvement have been specified in the materials of the 27th CPSU Congress and in M.S. Gorbachev's speeches.

In order to create a conception of an integrated economic mechanism for the APK, it is important to evaluate what has been done in forming the plan. In connection with this, I would request the enterprise managers to state their opinions of the planning system whereby indicators are sent down from above, their substantiations, adjustments to the plans, the readiness of collectives to formulate and approve five-year and one-year plans in accordance with the USSR Law "On State Enterprises (Associations)," which went into effect on 1 January 1988.

L.Z. Polyanskaya:—For us employees of the industry, the "technology" of planning has not changed. Although the forms of drawing up the one-year plans, which the higher-ranking organizations supply fully to the enterprises, are basically acceptable, they are, nonetheless, complicated and voluminous. They contain many superfluous indicators, and the employees of our economic-planning services spend too much time in filling out the documentation. I consider that the forms for working

out the plans ought to be revised and standardized. Only the necessary indicators should be left in them, and enterprises should be supplied with forms well ahead of time.

The higher-ranking organs have continued to furnish enterprises with the same indicators as before, but now they are marked "estimated." The enterprises do not calculate a single indicator on their own. The plans frequently do not correspond to the production capacities. A large proportion is of non-physical output. For example, during the fourth quarter of 1987 its volume for our association amounted to 16 million rubles, whereas during the first six months of 1987 it was 40 million rubles. The plans for commodity output have not been coordinated with the plans for raw materials. Thus, the labor collective does not take part in forming the plan. Having received a plan imposed from above (but neither substantiated nor well-calculated), we bring its assigned tasks to the workshops, sections, and brigades. This is a sore subject for our sector.

In my opinion, the sugar industry ought to have a two-stage planning, taking into account the proposed agricultural raw material at the beginning of the year and the actual amount of it which can be received at the end of the year.

O.A. Turetskiy:—An incorrectly formed plan is a situation which is common to many sectors of the APK.

M.V. Bogdan:—When the production associations were created, enterprises lost their independence, their rights to draw up their own plan by themselves, to calculate and account for their economic-incentive funds. The enterprises' collectives ceased to think, consider, or analyze. They became accustomed to being furnished with all the indicators from the associations. In my opinion, enterprises should have their own accounts in Gosbank; they should manage things and handle their own accounting more independently, and they should make the transition to self support and self-financing more boldly. For many sectors (meat, dairy, and others), the plans are not well-balanced with regard to raw materials (meat, milk, etc.), nor are they coordinated with production capacities. The volume of non-physical commodity output for the oblast agroindustrial complex, as furnished by the Ukrainian SSR Gosagroprom, amounts to 70 million rubles, commodity output (in thousands of rubles) is not planned now; what is planned is its growth rate. Enterprises of the winemaking industry have not been restructured to turn out products which enjoy great demand among the population. Wages have not been made dependent on the assortment. Previously enterprises were furnished with 40 indicators, now they are given 1. But the continuing stream of supplemental indicators approaches their original number. It is impossible to work in this manner. We have not yet sensed any independence or genuine rights in planning for our enterprise.

T.C. Vorobkalo:—The planned output for this year—amounting to 33,000 tons of commodity products—has not been provided with sufficient raw materials. At present we are processing livestock being received from the Moldavian SSR. To speak of cost-accounting principles under such conditions is unrealistic. Our output is stock-type. But it is not known how much or into what stocks we will ship our products today. Nor do we know how much raw material will be shipped to us tomorrow. Moreover, the raw material does not come in at a smooth pace: during the first quarter we received 30 percent of the annual requirement, while during the fourth quarter this figure amounts to 19 percent. Such a situation creates a personnel problem. The managers are compelled to temporarily lay off some workers without pay so as to retain a skeleton crew; otherwise, we would not be able to stay within the wage fund, nor would we fulfill our plan for labor productivity. When the raw materials come in at their "peak" loads, the space in our refrigerators is not sufficient to store all the products. The result is a lowering of quality and product losses. Ensuring a smoothly incoming shipment of raw materials (25 percent of the annual volume each quarter) would allow many of the sector's problems to be solved.

The problem of raw-material quality remains acute. As a result of its decline, we lost 9 million rubles of profits in just 9 months of 1987. These losses have not been erased by an increase in production. It must be acknowledged that we are already in the second year of operating under the new management conditions, but the situation is not getting any better.

V.F. Sobolenko:—I would like to hear the speakers specifically point out those persons to blame for the shortcomings and make suggestions as to how to remove them.

O.S. Melnikov:—I have been employed as a plant director for 10 years, but not once has our plant participated in forming the plan. As a matter of fact, we do work out a *tekhpromfinplan* [technical, industrial, and financial plan] just for ourselves, inasmuch as its indicators are "shattered" by arbitrary decisions many times during the course of a year. The sector is not ready for the transition to self-financing, since nothing has yet changed within the planning system. On 1 January 1988 the USSR Law "On State Enterprises (Associations)" goes into effect, and we are not ready to implement its stipulations.

I.E. Levandovskiy:—I would like to continue the conversation about quality. We must thoroughly think out and introduce a system of quality indicators for raw material as well as products such that the plan would predetermine the possibility of obtaining products of a certain quality from raw materials which have specific properties. These indicators should be common to all enterprises of the sector in order to compare the results of their work.

V.A. Stekolov:—The problem of improving product quality cannot be solved by individual measures, no matter how effective they might be. The organization of work in this area requires a systematic approach to the problem of quality control at all stages of a product's creation and consumption. It would be interesting to hear how this problem is being solved at the *agroprom*'s enterprises. What cost-accounting measures are being used to enhance quality as well as the collective and individual motivation and responsibility for it? How is the proportion of high-quality items changing within the dynamics of product shipments?

E.S. Fedynaeva:—According to the existing instructions, high quality products in the food industry comprise those items which in heightened demand by the population. A shortage artificially increases the demand for any product, thus relegating it to the category of high-quality commodities. There are no standards on many types of products. The system of standardization in the food industry needs to be improved. In order to assist this sector in developing its economy, we need to differentiate purchase prices on raw materials and products, depending on their quality.

E.N. Vorotynskaya:—We collected financial plans from all the enterprises, collated and compared them. We worked out a plan for the oblast and did not arrive at control figures for production of 5 million rubles, nor of a profit-withholding tax to the State Budget amounting to 10 million rubles. However, the Ukrainian SSR *Gosagroprom* did not take our well-grounded arguments into consideration, and we were compelled to reduce the plans for the enterprises by proceeding from the control figures. People know that if the plans with regard to profits are lowered, the economic-incentives fund will decrease, and who is to blame for that?

T.Ya. Gromova:—If enterprises are accorded the opportunity to draw up their plans only independently, then the volume of production output would decline, and a "scissors" effect (i.e., a discrepancy) would be formed between production volumes and production capacities. There is profitable and unprofitable output (i.e., the most and least labor-intensive), and the state ought to regulate the balance of its production, proceeding on the basis of social needs. And there is another problem. If agricultural enterprises have all the necessary instructional materials sent to them by the Ukrainian SSR *Gosagroprom*, it is not true that the food enterprises have them. It is urgent that this situation be corrected, inasmuch as many normative documents have become obsolete, or there are none of them.

G.V. Krushkov:—We must strive to achieve a comprehensive type of planning within the *APK* framework, pay further attention to eliminating losses of agricultural raw material, and this will allow us to increase these resources for food consumption by 20-30 percent. Furthermore, shipments of agricultural products for the fruit-and-vegetable canning, potato-processing, and

starch-syrup sectors ought to be included in the union-republic stocks, all the more so in that a large portion of such output is shipped out of the regions where the raw materials for its production are grown. These measures will facilitate an improvement in the quality of agricultural raw materials being purchased.

An integrated APK system requires the elaboration of intersectoral indicators evaluating the production, procurement, storage, and processing of agricultural products in this region by end results. Economic levers, including methods for evaluating the economic-management activities of the regions, must stimulate the work of all APK units in order to satisfy the demands of Soviet people.

I.L. Lobotskaya:—To raise the scientific level of planning and to elaborate well-substantiated, current, and effective plans under the new economic-management conditions for enterprises of the food industry—all this encompasses important problems. With a shortage of raw materials (in the meat and dairy industries), the plans must be dominated by solutions for the optimal utilization of raw-material resources.

The trustworthiness of enterprises' technical, industrial, and financial plans depends, above all, on the reliability of forecasts regarding the raw-material base and the consumption of the finished products. Therefore, the functions of future planning and forecasting must be assumed by the oblast agroindustrial committee.

The problems being examined here must be solved on the basis of the extensive utilization of mathematical methods and with the help of computers. It would be feasible to create scientific-production complexes which would work out problems assigned to them and the methods for solving them. The optimization of plans for production output would allow us to bring accounting and plan indicators into line.

V.F. Sobolenko:—Without denying the importance of working out an intersectoral indicator within the APK system, I am not an advocate of such a generalizing indicator as profit. It is impossible to calculate a total profit for industry and agriculture. For the time being, this indicator is determined separately for industry and agriculture.

The trouble with the APK's processing sectors is their lack of ensured provision with raw materials. A stipulated amount of raw materials is first shipped to the union-republic stocks, and the remainder goes to local consumption. Therefore, the task of agricultural production is to provide industry with high-quality raw materials for the purpose of guaranteeing shipments to union republics and local stocks.

Here is another question: do we need a reserve of production capacities, and how should it be reckoned? For example, in calculating the production capacities of

the canning industry's enterprises, people proceed from the length of time required to process tomatoes as 80 days. But now, with mechanized harvesting, the length of the cycles required for receiving and processing lasts 40 days. Consequently, the rated capacity has been doubled. Such a discrepancy must be eliminated.

It is important to observe contract discipline. There is no equal accountability for the shippers of raw materials and those who ship products because the penalties are not equal in value. For example, in order to produce canned vegetables, enterprises want to conclude a contract with a sovkhoz (or kolkhoz) for delivering horse-radishes. But it is so unprofitable to raise horse-radishes that it is easier to pay for breaking their obligations, let's say, a fine of 50 rubles per ton. But the cannery, by not fulfilling the plan for product delivery to the trade organizations in the agreed-upon assortment, pays them a fine of no longer 50 but 1,000 rubles. Neither RAPO [the rayon agroindustrial association] nor the oblast agroindustrial committee are responsible for this. Moreover, they do not seriously concern themselves with providing the enterprises with packing and packaging materials. But this problem is important, and it must be solved without delay.

O.A. Turetskiy:—From everything that has been said here, one could conclude that planning has not been affected by perestroika. Enterprises continue to be sent many indicators, plans for production output have not been balanced nor coordinated with regard to raw materials, capacities, or finances, and they are frequently adjusted. Enterprises do not have a sufficient normative base at their disposal for working out plans. An increase in plan indicators takes place under the guise of additional assignments and additional nomenklatura. The mechanical merger of many sectors into an integrated agroindustrial complex was not followed by qualitative changes in planning.

What do we see as a way out of the situation which has been created? Scientists, production workers, and APK staff members must accelerate the development of the theory and practice of planning and management under the conditions of agroindustrial integration; they must speed up the conversion to genuinely economic management methods. We must ensure the democratization of production life and the improvement of economic management methods.

Let us turn now to a discussion of the second group of questions. It is well known that economic management methods are based on a normative foundation. Therefore, we need to pay close and constant attention to the system of economic norms with the aid of which wage funds and economic-incentive funds as a whole are formed.

Nowadays people criticize both the principles and the mechanisms of differentiating norms which guide us in forming individual norms (by enterprises). Many scientists and employees in the industry justifiably consider

that such a path would lead to leveling, which would destroy the link between the end results of enterprises' activities and their revenues. There are urgent problems of developing cost accounting, creating stable financial conditions for enterprises, ensuring self-support for outlays on current economic activity and the self-financing of long-term expenditures on capital construction. These problems are exceptionally important, inasmuch as all the APK enterprises are gradually making the transition to full cost accounting and self-financing. We must exchange opinions on the feasibility of applying one of the two models of cost accounting to which enterprises can convert in accordance with the USSR Law "On State Enterprises (Associations)."

Z.P. Polyanskaya:—The food sectors of the APK converted to the normative method of planning wages (the food industry during the course of 1985-1986, and the meat and dairy industry—beginning in 1986). The oblagprom introduced to the five-year plan even a year prior to all the associations a stable norm of correlations between the growth rate of labor productivity and the average wage. The associations accordingly allowed their enterprises to break them down by quarters. In practice, however, these correlations have been violated. Since 1 January 1987 they began to increase from the beginning of the year onward, which significantly improved the enterprises' situation. Now during the course of a year it is necessary to maintain stable proportions. This is important for the food industry with its specific features.

Difficulties have arisen in the food sectors as a result of an insufficient supply of raw materials being shipped, especially to enterprises of the meat and dairy industries. In these sectors, in order to retain skilled personnel, the oblagprom has permitted granting workers, in cases of necessity, one month's leave on the sector's own account except during the period of their recruitment but without any interruption in their service period. That is better than losing skilled personnel. In my opinion, differentiation of norms in forming the wage fund for each enterprise in forming the wage fund for each enterprise, workshop, and brigade is justified.

V.L. Yakimenko:—Is it not wasteful squandering to let workers go on leave under the conditions of a shortage in labor resources? In this connection, it is interesting to recall M. Antonov's recently published article about using kolkhoz members the year round in working to produce other items necessary to the national economy (*M. Antonov, "That's What Happens at Our Place," OKTYABR, No 8, 1987*).

L.Z. Polyanskaya:—We use the wage-fund norms which were approved in 1984, and they suit us fine. But if there were to be a division of personnel into industrial and non-industrial, difficulties would arise, since within our total number of employees we have a large proportion of non-industrial personnel. Norms should be established for all personnel and for the wage fund. To my way of

thinking, the conversion to a stable norm for the correlation between the growth rate of labor productivity and the average wage, with an increasing result over the course of a year, is much better than the previous economic procedure.

With regard to norms for the economic-incentives fund, previously the higher-ranking organizations used to provide them in an arbitrary manner, and it was not until 1986 that they began to be calculated taking production characteristics into account.

Enterprises of the sugar industry are not ready to convert to self-financing. Production is seasonal, and during the tight calendar segment of 2-3 months (the length of the processing season) they are unable to provide themselves with enough raw materials to fulfill the year's production program. We need to differentiate prices on raw materials using a territorial criterion and taking local climatic conditions into account.

The profit norm being allocated to an enterprise of the sugar industry amounts to 40 percent, but a sugar-refining plant makes only 6-7 percent, and that is when production profitability is high. During a poor-harvest year enterprises must be given a subsidy from the insurance fund created in the agroprom. In my opinion, the norms for distributing profits should be differentiated for each enterprise, taking production conditions into account. The sugar industry has not yet selected any cost-accounting model for itself, since many enterprises are operating their production facilities at a loss.

K.A. Rossman:—An important condition for converting enterprises and associations to full cost accounting and self-financing is the establishment of economically substantiated norms specifying the mutual relations between the economic units and the State Budget. On how much profit remains at an enterprise's disposal after it has paid its profit-withholding taxes to the State Budget and the higher-ranking organizations depend its possibilities for expanded reproduction, achieving an increase in its norms for working capital, and forming economic-incentive funds.

The norm for the profit-withholding tax should be long-term, stable, scientifically substantiated, and established within the existing outlay system of price formation in a differentiated manner, taking production profitability into consideration. Only then will an enterprise find assurance in the fact that its financial well-being will fully depend on the results of its activity, that nobody will "infringe" on its profits, and that the USSR Law "On State Enterprises (Associations)" will be fully in force. An enterprise will begin to manifest an incentive to achieve increased profits in order to solve economic and social problems, as well as to implement the principle of self-financing. Only by means of economic (rather than administrative) levers and incentives can we achieve a balance between production and financial plans.

We talk too much about the material benefits connected with the new methods of economic management and not enough about material responsibility, monitoring controls, and accounting. If we were to familiarize ourselves with the stipulations regarding intra-plant cost accounting at many enterprises, we would see that they frequently indicate the basic indicators of activity and the procedure for providing incentives to fulfill them. But penalties have not been established for mismanagement, for an over-expenditure of raw materials or auxiliary materials. Not even an elementary accounting has been set up to keep track of the outlays of water, electric power, and other resources in connection with introducing cost accounting in a workshop or a brigade.

In order to increase the size of profits, an enterprise must, first of all, reduce expenditures on production output. It is time to abandon the "pot" method of accounting for expenditures; we must strive to achieve a situation whereby each employee will develop a feeling of being a production "boss."

T.Ya. Gromova:—In the canning industry only 25 percent of the profits remain at the enterprise's disposal, and there are not many profitable enterprises; the technical level of their equipment is too low. It would be more sensible for the renewal of enterprises' fixed capital assets to leave 70 percent of the profits in the sector and take out 30 percent for the budget. We must thoroughly analyze the operation of all 56 of this republic's enterprises and establish differentiated norms of profit distribution for them. The Konservpromkompleks [Canning Industry Complex] NPO [Scientific-Production Association] has prepared the methodology to conduct such a study, but it will probably take a great deal of time to coordinate it.

I.Z. Polyanskaya:—At present the production costs are factored into the plans incorrectly, without taking the existing production factors into account; they adduce merely the expenditures per ruble of commodity output. Various norms can be coordinated with production costs only when assigned tasks are calculated with regard to profits and production costs.

V.F. Sobolenko:—These days the canning industry is not fulfilling its contract agreements with regard to delivering products: there are no stocks, and an enterprise cannot change its assortment. The delivery contracts do not meet the demands, and this situation is not being taken into consideration. We must revise our approach to concluding contract-obligations and grant enterprises the right to alter the assortment of items being produced in the event that raw materials are lacking.

E.N. Vorotynskaya:—To this day we do not have a single methodology or instruction regarding conversion to self-financing. We have transmitted to the production association the economic-incentive funds which were set up by the Ukrainian SSR Gosagroprom for the oblast agroindustrial committee.

V.S. Klyushchenko:—The enterprises' financial plans have not been coordinated with the production plans. In planning profits and their distribution, the production associations should proceed from the interests of the state; the scale of the profit-withholding tax contributed to the State Budget out to be established for a number of years and not be changed. Food-industry enterprises under the jurisdiction of the oblast agroindustrial committee (meat, dairy, canning, etc.) send their profit-withholding taxes to the local budget, while those of the confectionary and sugar industries send theirs to the republic-level budget.

O.S. Melnikov:—I would request the economists to thoroughly study the mechanism of the turnover rate of working capital. This is an extremely acute problem for staff members in the food sectors. During the last 10 years the working-capital norms for our plant have been reduced to a minimum. The fundamental need for working capital has been covered by means of bank credit. But for credit you need to pay interest and on time!

N.A. Skalskaya:—The principal criterion for evaluating the readiness of enterprises to convert to full cost accounting and self-financing consists of their financial situation, the status of their working capital. From this point of view there can be no talk of our association converting to full cost accounting. Nowadays all the enterprises of the food sectors are operating with non-liquid account-balances. They have not solved the problem of issuing credits for increasing working capital nor of restoring their own working capital. This has led to serious violations of the correlations between their own working capital and borrowed funds. At present 95 percent of an enterprise's profits are paid in as profit-withholding taxes to the budget and to a higher-ranking organ, and so profits cannot serve as a source of expanded reproduction. The low level of profitability in wholesale prices (8 percent) does not ensure the conditions for self-financing. We are hindered by imperfections in bookkeeping, the analysis of economic activity, as well as in the systems of preliminary accounting and monitoring controls.

We must increase the economic substantiation of norms for the profit-withholding taxes contributed to the budget and the formation of economic-incentive funds. They could be differentiated depending on profitability, and the residual principle could be utilized.

G.V. Krushkov:—The value of our country's equipment in the world market is low. Therefore, we need to introduce new equipment. However, its quality does not satisfy us, and, as a result, there is no attempt to renovate it. With the conversion to self-financing, the attitude toward capital investments and equipment will change. But in order to have funds for self-financing, we must turn out products which are in demand.

In my opinion, it would be feasible to selectively convert sectors to full cost accounting and self-financing.

E.S. Fedayeva:—I propose that food output be subdivided, taking its targeted destination into account, into that which goes for personal consumption and that which undergoes industrial processing. This would also have to be reflected in the standards to be applied.

O.A. Turetskiy:—In order to put all enterprises on an equal economic footing, we must abandon the principle of differentiating economic norms enterprises as this is being done nowadays. Economic conditions and the possibilities of forming funds should be the same for all enterprises. It would be feasible to link the differentiation of norms with the sources of obtaining profits—the normative profits embodied in the wholesale price and that portion of the profits which is formed due to reducing production costs. Today this is not taken into consideration by the standard methodology for forming norms.

The speeches by the participants at this meeting have shown that the financial status of the enterprises and the existing financial-economic and credit mechanisms do not yet guarantee the conditions for converting enterprises to the principles of full cost accounting, self-support, and self-financing. Therefore, we must do a great deal of work in order to speed up the search for more effective economic management methods.

The final group of problems to be examined today is linked with the socioeconomic problems of labor's wages and incentives, with activating the "human factor." Their importance is indisputable in view of the necessity for increasing the direct dependence of each employee's wages on the individual and collective results of his labor. The urgency of discussing them is dictated by the wage reform for employees in the production sectors of the national economy. These questions directly affect the mechanisms for forming the wage funds, the funds for material incentives and social development, the objective evaluation of the results of economic activity, and increasing the effectiveness of utilizing various extra payments and additions to the basic wage. The conditions determining the possibilities for enterprises to convert to the new wage conditions, new wage rates, and salaries are not the same for everybody. Analysis of the operations of many enterprises has shown that full use is not being made of the intra-production potentials for increasing production efficiency, based on improving the organization of wages and systems of awarding bonuses.

Reserves for economizing on the wage fund in the food industry for converting to the new wage conditions are being sought out with difficulty. Scientific and technical progress is very important in increasing labor productivity. But the cost of equipment is high. Capital investments, if we proceed on the basis of the established norms for amortization and renovation, must pay for

themselves within 7 years, while living labor, as calculations have shown, should pay for itself within 7 months (for industry as a whole). Under these conditions it becomes profitable for economic managers to use even manual labor. During the course of improving the economic mechanism we must create an economic situation whereby an enterprise would be motivated to introduce new equipment.

L.Z. Polyanskaya:—The decree of the CPSU Central Committee, the USSR Council of Ministers, and the AUCCTU "On Improving Wage Organization and Introducing New Wage and Salary Rates for Employees in the Production Sectors of the National Economy" went into effect at a time when our association had already exhausted the reserves for reducing the number of its personnel. We introduced the brigade contract and the Shchekin method. The equipment being introduced has not brought about any significant personnel layoffs. We have merely revised the output norms so that their performance is increased by no higher than 1.5 percent. The statute provided for raises in the wage rate for workers by 20-25 percent, and in salaries for engineers and technicians by 30-35 percent. Eleven plants in our sector carried out calculations with regard to conversion to the new wage conditions. And, according to their findings, workers' wages will grow by 6-8 percent, while the salaries of engineers and technicians will increase by 16-18 percent. Consequently, the provisions of this decree are not being observed.

V.F. Sobolenko:—Year after year the number of persons employed in non-prestigious jobs has declined, mainly because of the low wages. At present the reserves for cutting back on personnel have been exhausted, and the possibility for major changes is limited. The assortment of products cannot be changed. Probably the provisions of the decree being examined here should be supplemented or differentiated. As the wage fund accumulates, there is a violation of the established correlation between the growth rate of labor productivity and the average wage. Perhaps we should permit this correlation not to be observed during the conversion period.

F.Z. Mardarovskiy:—The principal problems connected with wages, especially with the salaries of management personnel, and wage reform, have arisen during the last 10 years. It was in this period that economic, functional, and organizational contradictions began to appear in the management of the APK food enterprise (associations).

Above all, there are the following disparities: the composition of the management problems to be decided within the system—the management goals; the management's methods for solving the problems—the criteria of efficiency; the skills of the management machinery's employees—the types of management activity being performed; the rights and powers—a measure of responsibility; technical means of procuring information, organizational equipment—types of activity on the part of management machinery employees.

Thus, not a single system of managing an enterprise (or association) has been formed on the foundation of management's goal structure. A targeted approach to managing production in the food industry has rarely been carried out. This has led to the creation of organizational structures which have failed to take into consideration the contemporary requirements of the targeted approach. Studies have shown that a significant number of management machinery employees (as much as 50 percent) perform kinds of management activity which do not correspond to their occupational training. Such a situation complicates the introduction of new salary rates.

Under the conditions of perestroika we need a management system which will be in full accordance with the requirements of providing effective economic management while increasing the independence of the enterprises.

FROM THE EDITORS

Implementation of measures to carry out the decisions of the 27th party congress, the January and June (1987) Plenums of the CPSU Central Committee, which determined the strategic course and the measures to accelerate the country's socioeconomic development in the agroindustrial complex, was linked with profound qualitative changes, above all, in the sphere of the economic interrelations of its participants.

Discussion of the problems of improving economic management methods in the food sectors has shown that two years after the conversion to the new form of management within the framework of an integrated agroindustrial complex no effective economic mechanism had yet evolved for managing it.

The system of planning, particularly at enterprises and in associations, has not undergone qualitative changes under the new conditions. As before, the higher-ranking organizations deprive the enterprises of the possibility of working out plans independently, of seeing out and utilizing internal reserves, and showing initiative. And, as was previously the case, they bring to the enterprises a great number of plan indicators which frequently do not correspond to the production capacities or the raw-material resources, as a result of which a large proportion in the plans is occupied by non-physical commodity output. None of this has facilitated the development of economic mutual relations between the partners, especially between the complex's agrarian and industrial sectors.

As the enterprises prepared to convert to full cost accounting, self-support, and self-financing, great importance came to be assumed by the principles and mechanism of forming a system of economic norms the substantiation of which must be to guarantee the dependence of the cost-accounting revenue of the enterprise on the results of its activity.

Differentiation of the norms of profit-withholding taxes and the formation of economic-incentive funds place enterprises in the unequal conditions of obtaining cost-accounting revenue, and often this is a veiled form of leveling, an economic brake on the labor collectives achieving high production indicators. For evaluating the state of readiness of enterprises to convert to full cost accounting, self-support, and self-financing, the status of their working capital, as well as their finances is of great importance.

Now at many food enterprises an obviously inadmissible correlation has evolved between their own working capital and borrowed funds: the supplementation and increase of working capital was brought about basically by means of credit. Therefore, it is necessary to immediately solve the problem of restoring the enterprises' own working capital, to take measures to amortize their overdue indebtedness on bank loans and create the conditions for normal interrelations between enterprises and the banking-credit system.

Of great importance is regularizing and further improving the system of setting norms for their own working capital, as well as establishing the actual need for it at each enterprise. We must also enhance the quality of bookkeeping and the analysis of economic activity along with eliminating shortcomings in the system of preliminary accounting.

Conversion to the cost-accounting management methods presupposes strengthening the influence on end results and methods of providing incentives for highly efficient work. This ought to be facilitated by the conversion of enterprises to the new wage conditions, wage rates, and salaries. Experience has shown that not enough preparatory work has been conducted at the enterprises; they are having difficulty in seeking out reserves for effecting savings in the wage fund for this purpose. The lack of regulation on the time period for converting to the new wage conditions has made it possible for enterprises to delay their preparatory work. USSR Gosagroprom, the union-republic gosagroproms, and their organs in the localities must examine the situation which has been created, specify the deadline for converting enterprises to the new wage conditions before the end of the current five-year plan, constantly monitor the status and progress of all preparatory work and ensure the accelerated development of the food sectors of this country's agroindustrial complex.

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LABOR

Bunich Addresses Wage System Shortcomings

18290044 Moscow *EKONOMICHESKAYA GAZETA* in Russian No. 9, Feb 88 p. 6

[Article by P. Bunich, USSR Academy of Sciences corresponding member and chairman of the USSR Academy of Sciences Scientific Council for Problems Relating to the Cost Accounting and Self-Financing of Enterprises. "Results and Payment for Labor"]

[Text] The policy of self-financing is being implemented in all branches of material production and in the non-production area. The task of genuine self-financing for wage funds is among the primary ones. Its special importance is determined by the fact that wages, bonuses and penalties on personal income are the key economic factors that directly link worker interest with production efficiency. These are the most direct, understandable and effective incentives. If all self-financing components are organized but wages are inadequate, the role of self-financing will be reduced to a minimum and the entire totality of the steps, which have been taken along the path to complete cost accounting, will be transformed into a half-step or even a quarter-step.

At the present time, large shortcomings are being retained in wages. The base wage and material incentive funds, which have been formed under the conditions of the payment mechanism and which have exceeded the boundaries permitted by society, that is, those justified by the effect received, are increased (decreased) for each percent in the growth (decrease) in the wage formation indicator (standard net output, net output, or commodity output). Special norms have been introduced for this. This system is better than the previous one where collectives provided wage funds without any consideration of the increase in production. It seemingly orients and urges on work collectives toward increasing production volumes. Its progressiveness, however, is confined to this. In everything else, the system in effect reproduces the previous fundamental defects.

First, wages rely on a raised "base" which is usually 95-98 percent of the newly formed wage fund. Increases are calculated on this "base", that is, the new wage fund is essentially the old one that often reflects not achieved results but an inflated staffing schedule where the more the people, the lower the output norms. If work quality is improved during this, the wage fund will not be increased. It is possible that it will even be reduced because of the drop in production output. If products are updated, the wage fund will almost certainly be reduced — the achieved production volumes usually drop temporarily.

It seems that the spoon is in front of the plough. This can lead to the spoon being too big or unjustifiably small. Unjustifiably large spoons predominate, especially in enterprises that work poorly but earn money just as those

that work well. Thus, plants, which are at the end of the table based on the quality of produced tires, are in the lead based on average wages. Wages at the Zavidovskaya Fine-Cloths Factory are higher than at the Kupavinskaya although the quality of their goods has opposed rating. Based on its efficiency, the Latvian Maritime Steamship Company is one of the best in the country, but it is only average based on wages.

The mechanism in effect for forming wages is poor because its fund is calculated from standard net output, that is, it does not reflect savings (overexpenditures) in objectified past work. This does not encourage a careful attitude toward raw material, materials, fuel, components, equipment, etc.

The situation can be corrected by shifting to a determination of the wage fund based on norms from actual net output. This, however, is being carried out only in USSR Ministry of Petroleum Refining and Petrochemical Industry enterprises. Branch after branch is embracing a return to determining wages based on commodity output. This encourages the turning of the "shaft" and excites an interest in increasing material-intensive and capital-intensive production.

The main defect in today's system for forming the wage fund consists of the fact that the increase principle has been delayed too long on this world. This places in an advantageous position those who have worked poorly in the past. Collectives, which have exhausted their reserves, and leaders, who have achieved high results that it is more difficult to raise than to rush forward from low results, are being punished.

It seems that it would be more justified to evaluate enterprises not on production volume increases but on the overall absolute volumes of actual net output — on that portion of it which can be earmarked for wages.

Several ministries have rushed to replace the wage increase norms with norms based on the entire commodity output. Thus, the wage fund for workers in all-union and republic construction ministries, the Estonian and Kirghiz Gosstroy, and the main construction administrations in the ispolkoms of city (oblast) councils of people's deputies have been determined since October 1987 using a per ruble production volume norm. It has only become worse with this. The norms for forming the wage fund have been completely adjusted to the "base" and even incentives for increases have disappeared, that is, we have returned to that from which we left.

The adopted wage system corresponds to old approaches and does not reward for efficiency but for expenditures which "have been haggled about above" and legalized by the plan. It represents a hidden centralized assessment of award funds. This system is a brake — moreover, it is brake No. 1.

How can one achieve the formation of a common wage fund that directly depends on final results?

The norm method for forming wages, which is provided for by the second form of cost accounting, deserves attention. An enterprise has sold its products and received a profit. Amortization deductions and the cost of raw materials, materials and components are deducted from it. That, which remains, is called gross revenue. From this, it is necessary to make payments to the ministry's budget for producer goods, the use of labor and natural resources and credit. The remaining amount forms the "cost accounting income". It should be divided according to the norm for wages and profit. For example, 60 percent for wages and 40 percent for the profit from which collectives form production and social development funds and pay taxes into the budget. That is, the wage fund is formed in accordance with actual results. Every collective is under equal conditions regardless of whether the number of workers is large or small and whether the wage fund was previously "advantageous" or strict. There is one rule for all: 60 kopecks from each ruble of cost accounting income go to wages.

True, a collective, which has an unjustifiably high price level, gains here. The situation will be improved by the coming improvement in price formation.

One can ask: Is the author not forcing an open door? You see, the system, for which he is fighting, is seemingly being provided for during the shift of the branches to complete cost accounting and self-financing. However, there are no common norms for a branch or even for a group of branches. This is the entire point. Individual norms, which reproduce only in another calculation the planned individual wage funds and which remain as before, are being introduced.

They often ask: How is it possible to introduce immediately common norms for everyone when collectives are in such different circumstances? Of course, it is impossible to do this immediately. For several enterprises, it will be necessary to introduce raised coefficients for the common norms for forming the wage fund, but not for more than several years; for others, it will be necessary to establish lowered coefficients for this fund during the transition period. The overwhelming majority of branch enterprises will be able to use the common norm. Annual variations in income will be brought to "shore" with the help of reserves and credits. Even with fluctuations, however, there will nevertheless be progress and movement toward a new reference point — at a time when any improvements in the procedure in effect and the refining of the "base" maintain the status quo. It will be necessary sometime to begin a new path. It is better to do this earlier than later.

A norm-free formation of wage funds for enterprises assures a finer "tuning". The transition to such a practice assumes an interest among cadre in tomorrow, an ability

to see the future and to be concerned about accumulations of capital, the economic literacy of workers, and their high sense of responsibility for satisfying society's needs. Such enterprises exist.

In August 1987, the Bauskiy Rayon personal services shop (Latvian SSR) began to determine the wage fund without a norm. The cost accounting income is divided into wages and savings depending on specific results and current and future tasks. The collective itself decides everything knowing that an "injury" to the interests of savings today will turn into an "injury" to wages tomorrow. The ratio between sales volume and wages has remained as the sole "economic controller".

The shift to this method can lead to a large increase in personal incomes. In order to regulate high incomes, it is advisable to establish a progressive tax on the wage fund, but not an especially sharp one so as to prevent its becoming a counter-incentive.

Many brigades in the Bauskiy Rayon personal services shop are making firm fixed allocations to the state and the combine and are paying for patents to some extent. From the remainder of their profit, they settle accounts for fuel, raw material, and the renting of premises, transport, and warehouses; and themselves purchase new labor assets. Each ruble of expenditure is equally valuable for the brigade. That is why they economize in everything except reducing the work frontage (it is growing), and they are reducing prices in order to attract purchasers.

When paying for labor directly from the distribution of profit from sold products and their cost, the question of how to overcome drops in wages, which are caused by arrhythmia that throb with the "cardiogram" of work effectiveness, also arises. The wage fund fluctuates depending on the updating of goods, equipment and technology. The leveling of this fund assumes its connection with the flow (return) of bank credits; with the formation and use of financial reserves; with the sale of internal licenses, technical innovations and other intellectual products; with insurance against commercial risk; and with the compensation for undeserved losses by economic sanctions. Many of these "vessels", which are in communication with wages, are in their incipency or are absent. Without them, however, the shift to payments depending on results is impossible.

Within the limits of the wage fund, labor collectives can themselves determine staffing structures, establish any increments, and permit the necessary maneuvering in basic pay and not only in payments from the material incentive fund. It is advisable to limit extremely high individual earnings with a progressive tax levied apart from the tax on the total wage fund.

Improving wages is a very important part of the qualitative transformation in managing the economy in general. This work affects the main economic nerves of

society. That is why it, as nothing else, does not withstand sudden thoughtless attacks and adventurism. However, it is impossible to lag behind with it since wages turn on the main incentive knife-switch in the management mechanism.

08802

Shcherbakov Critical of Wage Reform Results
[18290043 Moscow *EKONOMICHESKAYA GAZETA*
in Russian No 7, Feb 88 p 6

[Article by V. Shcherbakov, committee member and chief of the Wage Department of the USSR State Committee for Labor and Social Problems: "New Wage Conditions: How To Organize the Transition"]

[Text] More than 26 million workers employed in the production branches — or approximately 37 percent of the total number — shifted to the new wage conditions at the beginning of 1988. It is expected that almost 80 percent of workers will have shifted to the new tariff rates and salaries by the end of the current year. Collectives, who are working in the old way and who have shifted to complete cost accounting and self-financing, are also using them. Working under the conditions of complete cost accounting helps us to find new opportunities for saving assets for wages and for increasing tariff rates and salaries. This, in turn, creates new incentives for highly efficient labor.

Sources of Assets

When matters are arranged correctly in collectives using the new wage conditions, work and technological discipline indicators have been increased two-threefold. The quality of work is raised and the mutual exactingness of the workers grows. Here, labor productivity has increased by 5-10 percent on the average. I think that there has been no sending of requests for an additional allotment of workers to the central economic agencies and government for the first time in many years.

Where are the required assets being found? As an investigation by the USSR State Committee for Statistics indicates, approximately 26 percent of the assets were obtained as a result of savings in the wage fund and its increase that is connected with raising production volumes; measures connected with increasing labor productivity and improving the management structure provided 25 percent; and 25 percent was obtained by improving the rate setting of labor. Approximately 10 percent of the assets were drawn from the material incentive fund.

Thus, the shift to the new wage conditions is having a positive effect on normalizing economics in general and is contributing to an increase in production efficiency and the acceleration of scientific and technical progress. Within the USSR Ministry of Railways system, for example, 2.5 million people (approximately 80 percent

of the total number) have been transferred to the new conditions and 280,000 workers have been freed. The branch has fulfilled and overfulfilled the five-year plan's target for increasing labor productivity during the past two years.

In the USSR Ministry of the Petroleum Industry which chronically experiences a shortage of personnel, the mobilization of internal reserves has permitted 101,800 people — or 10.2 percent of the total number — to be freed from production. A decrease in labor productivity had been foreseen in the branch in connection with the worsening of mining geological conditions during 1987. However, not only did it not fall, it grew significantly. The shift to the new rates and salaries was skillfully used to reorganize management greatly. Two VPO [all-union production associations] were disbanded and 95 enterprises and 600 shops and independent sections were consolidated and eliminated. The branch exceeded its planned quotas for extracting oil for the first time in many years.

Useful experience has been accumulated by the Nizhnevolzhskneft [Lower Volga Petroleum Association]. Labor productivity in the association exceeded the planned target by almost 16 percent due to the implementation of a series of measures to improve the organization of production, labor and management and the introduction of new equipment. The growth in productivity noticeably outstripped the growth in wages. The association had done enormous preparatory work, including:

- The setting of new tariffs for the work and trades of workers and the certification of specialists and employees who have been permitted to reveal the actual level of professional knowledge and to establish the appropriate wage;
- A review of all bonus regulations in order to determine the final goals for stimulating and accounting for personal and collective contributions to common work results;
- The development of new position instructions and staffing schedules;
- Instruction in secondary and allied trades, and
- A review of all norms and standards for labor expenditures.

A great deal has been done with regard to reviewing norms in the USSR Ministry of Ferrous Metallurgy. The review was carried out in a differentiated manner and not mechanically to the extent of increasing tariff rates. That is why their overfulfillment, as a rule, does not exceed four-five percent after the introduction of the

new norms. As a result, the average increase in labor productivity in enterprises, which have incorporated the new wage conditions, is seven percent as opposed to the 2.7 percent for the branch.

Based on the certification of work positions and a careful analysis, many enterprises have reduced the number of workers who have received increased rates for heavy and unhealthy work conditions. For example, 635 people previously received these tariff rates in Spinning Mill No 3 and Weaving Mill No 1 of the Cheboksarskiy Cotton Combine. After conducting specific tests during the certification of work positions, only 86 of them remained. This permitted more than 100,000 rubles to be saved.

More than 80 percent of the trusts in construction have been transferred to the new wage conditions in combination with the collective contract.

The achieved return from restructuring the organization of wages would have been much greater if we had managed to avoid existing errors. What are we talking about?

What the Analysis Shows

A whole series of important questions is far from always being solved correctly during the implementation of the decree. First, a formal approach to the issuing of permits for the transition has not been overcome. They are often received without a check on the collective's readiness and a thorough analysis of that measure's effectiveness. The Soyuztsellyuloza [Pulp Industrial Association] VPO of the USSR Ministry of the Timber, Pulp and Paper, and Wood Processing Industry acted this way with respect to the Stupinskaya Board Factory and this evoked a collective complaint from the enterprise's workers. The introduction of the new wage conditions was halted here at the request of the USSR State Committee for Labor and Social Problems. Unfortunately, these are not isolated instances.

In a number of cases, new tariff rates and position salaries are being introduced in associations and enterprises not by using internal reserves, increasing labor productivity and improving labor organization and norm setting, but basically by changing the wage structure. This does not lead to an increase in production efficiency. For example, every fifth enterprise in the USSR Ministry of Construction, Road, and Municipal Machine Building and every third enterprise in the USSR Ministry of the Automotive Industry, which have received permission for the shift, are not providing for an above-plan increase in labor productivity.

For the present, we are not managing to achieve the main thing — the overcoming of the leveling in wages. Significant changes for the better have not occurred in relation to the wages of workers and specialists. In the majority of cases, lower qualification categories and average salaries

for the "fork" are being awarded to engineer technical workers. The proportion of workers, who have been awarded a first or second qualification category, is very small. For example, all told, only two to five percent of the specialists have received the first category. The percentage of specialists, who are receiving increments to their salaries for high achievements in work or for the performance of especially important work, has been reduced sharply, practically two-threefold.

Generally speaking, an advantage in the pay of specialists has not been provided in more than 40 percent of the enterprises investigated by the State Committee for Labor and Social Problems. In many enterprises, especially in machine building, the pay of designers and industrial engineers practically does not exceed the wage of the workers and is often even less than it under the new conditions. In Moscow's Krasnyy Proletary Production Association, the pay of designers and industrial engineers is lower than the pay of workers by 24 percent under the new conditions; in Odessa's precision tool plant — by 20 percent; and in Minsk's machine tool plant — by 10 percent. The special certification of workers was conducted in a formal manner during the introduction of the new wage conditions at many enterprises.

Things are no better with the differentiation in the wages of the workers. The percentage of workers, who are receiving increments for professional skill and additional payments for combining trades and functions, has also been sharply reduced here. At the same time, the opportunity to establish non-contract tariff rates is not being used.

The main cause of the small differentiation in wages consists of the fact that the shift to the new tariff rates and position salaries is being carried out under conditions where the enterprises have accumulated few assets for this. The deep production reserves are being put into operation poorly. Qualitative changes in the structure for managing and organizing production have not occurred in the majority of the enterprises, small-size structural subunits are being preserved, and the staffing schedule is being formed as before. A change in the rate setting for labor has not occurred. Thus, obsolete norms, whose level of fulfillment exceeds 180 percent, were maintained in Tallin's Metallist plant after the introduction of the new rates. At the same time, the increase in labor productivity reached 0.9 percent but that of wages — 5.5 percent.

The fact that all additions to work being carried out and wage deductions are still being retained, causes special alarm.

The certification of work positions according to work conditions is still being done poorly. This does not permit the appropriate additional payments to be established. They are often determined without the required tests and study of actual working conditions at a specific

work position and are established for everyone in an identical amount. These facts were revealed in Kazakhstan, Azerbaijan, the USSR Ministry of Grain Products, and the USSR Ministry of Machine Building for Light and Food Industry and Household Appliances.

Perhaps the most complicated question is connected with the introduction of the contract form for organizing labor. The contract occurs more or less satisfactorily only in construction and agriculture. Changes in industry are practically not taking place. Unfortunately, enterprise directors almost everywhere are not making use of their new right to introduce contract and piece-work forms for paying for the labor of specialists.

On the whole, things are unsatisfactory with the restructuring of bonus awards. Basically, the old approaches to their organization are being preserved. Thus, in many collectives, the encouragement of designers and industrial engineers is linked, as before, with the fulfillment of contracted deliveries and volume indicators and not with the introduction of new equipment.

The idea of an individual presentation of a bonus for the main results of economic activity depending on one's personal labor contribution, has not been widely disseminated. Bonuses are being distributed as they were before — in an equalizing manner and in proportion to salaries and time actually worked.

There are practically no changes in the awarding of bonuses for saving specific types of material. The majority of the enterprises, which were investigated, had not even provided a list of material resources, for which encouragement occurs, and the sizes of the bonuses for saving them.

The investigation shows that an increase in labor productivity during the shift to the new wage conditions is achieved mainly by reducing the number of people. This is far from always being justified, especially in the ministries and enterprises of republic subordination that produce consumer goods and provide services to the population. This question is especially acute in labor-surplus regions. Here, it is necessary to increase production volumes and services — the more so since the majority of the enterprises operate using local raw material.

It is important that all the work in shifting to the new wage conditions occur under the conditions of glasnost. The research of the labor scientific research institute has shown that almost 60 percent of the workers are not directly participating in the search for the assets necessary for the transition. In a number of cases, this work is being done in offices and not during general meetings of the work collectives. Democratization has an exceptionally important significance here. It provides, on the one hand, an opportunity to effectively enhance deep production reserves using joint efforts and, on the other hand, it is the only way to avert a subjective approach

and unsubstantiated decisions. Meanwhile, experience shows that workers are often only informed about the fact of the shift, however, they do not have available to them information about how this will occur, what opportunities and difficulties exist here, and what is the degree of their personal influence on the progress of the matter.

In the decisions of the 27th CPSU Congress, the shift to the new rates and salaries was regarded as the most important measure in this five-year plan. It has not only a large economic importance but also an enormous social and political significance. In the past, many of our reforms in the area of managing the economy did not provide the expected results, particularly because a mechanism for relaying the new requirements to each primary work collective and each worker was not found. We cannot repeat this mistake.

08802

Deputy Finance Minister on Independent Labor Activity

18280036 Moscow FINANSY SSSR in Russian No 12,
Dec 87 pp 3-8

[Article by V.E. Orlov, deputy minister, USSR Ministry of Finance: "Cooperative and Individual Labor Activity—The First Few Steps"]

[Text] The year 1987 was a period of significant changes in our economy. In particular, a network of cooperatives for public dining, everyday services to the population, and consumer-goods production was created in accordance with decrees of the USSR Council of Ministers. Quite recently a decree was adopted on cooperatives for producing pastry, confectionery, and bakery items. The foundation of this activity was laid by Decree No 988 of the USSR Council of Ministers, dated 14 August 1986 and entitled "On Organizing the Procurement and Processing of Secondary Raw Materials on a Cooperative Basis."

For the country as a whole, as of 1 July 1987, more than 9,000 cooperatives were registered, including more than 3,900 cooperatives engaged in everyday services to the population, 2,000 in public dining, 1,300 in consumer-goods production, 347 in collecting and processing secondary raw materials and waste products, as well as more than 1,500 cooperatives performing other kinds of operations and services.

The activity of cooperatives is basically in accord with their model charters and the legislation, and it is aimed at organizing small-scale production of consumer goods and rendering services for which there is increased demand among the population (repairing apartments, laying out gardens, orchards, and farmstead plots, providing technical services and repairs to transport means

belonging to citizens, repairing and making metal products and furniture upon individual orders, sewing garments and knitted items, collecting secondary raw materials and waste products, as well as making consumer goods out of them).

At the same time, it must be emphasized that the work of organizing cooperatives is proceeding too slowly, as a result of which the amounts of goods sold and services rendered by them are still insignificant. Throughout the USSR as a whole they comprise approximately 0.4 percent of the total volume of everyday services, while in the Kazakh SSR they amount to only 0.08 percent. In the Ukrainian SSR 19 cooperatives founded in conjunction with local industrial enterprises made 496,000 rubles worth of goods, or 0.04 percent of this sector's total product output during the corresponding period.

A considerable number of cooperatives have not yet begun their economic activities. Out of 529 cooperatives created within the systems of the Ukrainian SSR Ministry of Consumer Services, only 269 were functioning, and under the Ukrainian SSR Ministry of Trade—only 82 out of 219. In the Belorussian SSR by 1 August 1987 only 199 cooperatives, or 40.2 percent of those registered, had begun their economic activities.

The principal reason for such a state of affairs is the fact that frequently the rayispolkoms or gospolkoms, enterprises or organizations under which the cooperatives have been created are too slow in solving the problems of providing them with space, equipment, raw and other materials, and transport means. As a result, the cooperatives often cease their own activities because they have not received the necessary aid and support.

In certain cases unjustified limitations have been imposed on cooperatives, hindering them from obtaining materials, accessories, spare parts, tools, and small-scale equipment for cash in the retail-trade network. On 1 June 1987 the Belorussian SSR Ministry of Trade and the Belorussian republic-level office of Gosbank explained that cooperatives were permitted to obtain for cash materials up to a total of 50 rubles at one time, whereas no such limitations are provided in the decrees passed by the USSR Council of Ministers regarding the creation of cooperatives.

Cooperatives also render services and produce goods which, because of their small quantities, are unprofitable for state enterprises and organizations to produce. Certain ispolkoms of Soviets of People's Deputies have prohibited cooperatives from concluding appropriate contract agreements with enterprises, organizations, or institutions, citing the fact that in the cooperatives' Model Charters, as approved by decrees of the USSR Council of Ministers, such activity by the cooperatives is not expressly stipulated.

Materials and letters coming in from the localities attest to the fact that many citizens are expressing the desire for and are joining cooperatives for the purpose of rendering cultural-leisure, legal, and other services. More than 1500 such cooperatives have already been created in the country, but their further development is being retarded by the lack of appropriate legal groundwork. The statute provided for by the existing legislation to the effect that cooperatives may accept primarily citizens who are not employed in public production (pensioners, housewives, students, and pupils) and that cooperatives may employ workers from enterprises, organizations, and institutions upon a labor agreement in their leisure time from their principal place of employment is being observed on the whole. As of 1 July 1987, out of 55,000 persons employed in cooperatives, 65.6 percent were working under conditions of secondary employment, 13 percent were pensioners, 8.2 percent were housewives, 3.2 percent were students or pupils, and 10 percent were adult, able-bodied citizens employed solely in a cooperative. Thus, the proportion of pensioners, housewives, students, and pupils amounted to 24.4 percent.

At the same time, there are instances where the cooperatives contain a significant proportion of able-bodied adults who do not work anywhere but in these cooperatives. In a number of cases, citizens have left their work at enterprises or in organizations and have joined cooperatives; moreover, the work in the cooperatives has become the permanent and principal place of their labor activity. For example, in Sverdlovsk Oblast 300 persons are employed in cooperatives; 15 percent of them are pensioners, housewives, or students, while the remainder are able-bodied adults 58 percent of whom are employed solely in cooperatives.

In violation of the Model Charter of a cooperative providing everyday services to the population, as approved by Decree No 161 of the USSR Council of Ministers dated 5 February 1987, a number of cooperatives have charters which specify that, in connection with the complexity of the operations being performed, the cooperative can accept for membership only those able-bodied workers who are not employed in the national economy.

The activities of certain cooperatives do not correspond to the goals and tasks assigned to them. There are instances where the cooperatives themselves do not produce any items but rather engage in selling finished goods at inflated prices, and this leads to obtaining unearned income. In conjunction with consumer-cooperative enterprises in the Karachayevo-Cherkess Autonomous Oblast, four "trade-purchasing" cooperatives have been created, which buy up and re-sell knitted caps, sweaters, pullovers, and other items to the population at inflated prices. In Kokchetav Oblast the Pitsstseriya and Rassvet public-dining cooperatives are engaged solely in selling juices and mineral water which they purchase at retail-trade enterprises.

In certain cases, cooperatives have been created by means of formally converting state enterprises or organizations into cooperative ones. For example, the Lvov Polovina Production Association of the Ukrainian SSR Ministry of Local Industry made a purely pro forma conversion of the profitable section engaged in producing souvenirs into a cooperative. As a result, the budgetary losses amount to more than 60,000 rubles a year, whereas the workers' wages more than doubled.

The existing legislation has established that the sale of items produced by a cooperative is to be carried out at prices agreed upon throughout the network of state and cooperative trade enterprises, as well as the company stores of the associations (enterprises) under which the cooperatives were created. Practical experience has shown that most cooperatives sell their own products in considerable amounts directly to the population at kolkhoz markets, bus-stations, and other public places for cash. This seriously complicates control over the completeness of the receipts and crediting the earnings in the office cash registers and current accounts of the cooperatives; it creates the conditions under which abuses may take place.

One of the reasons for such a situation is the fact that the trade organizations are unwilling to make deals with the cooperatives regarding the sale of their products; in some localities they have unjustifiably demanded permission to make such deals from higher-ranking organs of the trade administration.

The enterprises and organizations in conjunction with which cooperatives have been created do not render them the necessary help in setting up and conducting their bookkeeping accounts. As a result, the accounts in many cases do not measure up to the existing requirements, while in some instances they are in an unsatisfactory condition.

A number of cooperatives lack account and accountability forms as well as the instructions as to how to fill them out. This leads to violations of financial discipline by cooperative managers and errors in calculations within the state budget; it creates the conditions for all sorts of negative phenomena. For example, certain cooperatives in the Moldavian SSR, Belorussian SSR, and Uzbek SSR have not had a bookkeeper on their staffs; they have lacked incoming-and-outgoing estimates, independent balance-sheets, seals, and currents accounts, while instances have been noted where a cooperative's receipts were included in the company's account.

As a result of poor monitoring controls over the creation of cooperatives by the ispolkoms of local soviets and insufficient practical aid rendered to them by the enterprises and organizations in conjunction with which they, many cooperatives have allowed themselves to commit serious violations in their financial-economic activities, wage payments to cooperative members, and accounts with suppliers.

Many newly established cooperatives, in utilizing the right to independently set prices on the items which they produce and the services which they render, provide in their calculations for their high level of profitability. Under the conditions of the low rates of payment which are to be paid to the income-tax budget from the cooperatives' income, this leads to the persons employed in cooperatives receiving high wages.

In violation of the Model Charters of cooperatives, as approved by decrees passed by the USSR Council of Ministers, many cooperatives have made no provision in their own charters for contributing to the development fund or the insurance fund. And they channel the entire amount of the net income remaining after paying the income tax into the budget, into the employees' wages, which also leads to an inflation of their wages. Such instances have been ascertained in cooperatives created in the Belorussian SSR, Uzbek SSR, and several other Union republics.

The Yikham (Inspiration) Cooperative, which was created in conjunction with the Khyzmat firm and which numbers 12 persons (five able-bodied cooperative members are not employed in the national economy, three are pensioners, two are students, while a housewife and a bookkeeper work in the cooperative in accordance with a labor agreement), for the period from 1 July through 31 December 1986 has planned for a sales volume of souvenir items (lacquer paintings, plates made of straw, etc.) and work on decorating apartments upon orders from the population amounting to 108,000 rubles and a wage fund of 52,000 rubles, i.e., the average monthly wage per employee would come to 722 rubles. In the Khyzmat Cooperative under the firm of the same name numbering 11 persons the average monthly wage per employee during the current year is envisioned to be 476 rubles. With such a high income and employee wage scale, the Yikham Cooperative had for its first year of paying an income tax into the budget an established rate amounting to 2 percent of its net profit, rather than from its income after deducting material outlays, as provided for by the existing legislation. The Khyzmat Cooperative has been unjustifiably freed from having to pay an income tax into the budget.

Certain cooperatives have proposed to the financial organs that the size of the income tax be increased in order to limit their own high incomes. Thus, the Experiment Cooperative, consisting of three persons and created in conjunction with the Chertanovskaya tipografiya Production Association of the Mongorispolkom's Administration for Publishing Houses, Printing Plants, and the Book Trade, requested that the possibility be examined of imposing a progressive tax on the incomes of the cooperative members, considering "that such a solution would correspond to the interests of developing the cooperative and maintaining the principle of social justice."

The USSR Law on Individual Labor Activity, which went into effect on 1 May 1987, has facilitated the improved legal regulation of this activity by citizens. It became possible to attract a large number of citizens into producing consumer goods and rendering services to the population and to reduce somewhat the scale of the so-called "shadowy economy" ["gray market"], where some of the population, by concealing their own incomes, do not participate in forming the total state income.

As a result of the practical measures adopted by the central departments and organs, Councils of Ministers of the Union republics, and ispolkoms of the Soviets of People's Deputies, the number of officially registered persons who have received permission to engage in individual labor activity noticeably increased for the USSR as a whole. If in 1986 (as of 1 May) there were 78,200 such citizens, by 1 July of the current year, their number had grown and reached 206,000 persons, including 109,500 engaged in domestic handicraft industries, 64,100 in the field of everyday services to the population, and by 1 October the total number of persons engaged in individual labor had reached 307,000. This has allowed us to expand the volume of goods production and offering services to the population. In turn, as a result of implementing the tax policy, it has become possible to compensate for the budgetary incomes which fell in connection with lowering the rates of taxation.

Analysis has shown that the USSR Law on Individual Labor Activity is gathering force, and although not much time has elapsed since it was adopted, it is evident that, on the whole, it is aimed in the right direction and is playing a positive role in attaining the goals which have been set. Nevertheless, the experience of the first few months of applying the Law attests to the fact that a number of problems require additional solution, certain legislative norms need to be refined, and the most important thing is that we need to activate the practical work of various central, republic-level, and local organs, to strengthen our monitoring controls and check-ups on the execution of decisions adopted earlier.

The greatest number of questions which arise have to do with granting permission to engage in individual labor activity. From the letters and statements arriving from citizens, it is obvious that certain ispolkoms of Soviets of People's Deputies do not always attempt on their own to solve problems with regard to various kinds of activity, and this leads to complaints addressed to higher-ranking organs of authority. As before, many such complaints come in to USSR Goskomtrud [State Committee for Labor and Social Problems] and the USSR Ministry of Finance, although in accordance with the Law, they are not empowered to adopt decisions on these matters.

A significant portion of the letters and statements from citizens are evoked by the fact that the country lacks any detailed reference material from which the population could find out what kinds of activity it cannot engage in

on the basis of existing laws and regulations. Such a reference manual would be extremely useful to the ispolkoms of the local soviets. This was mentioned more than once during the period when the Law was being prepared. To this day, however, neither the USSR Ministry of Justice nor any other legal organ has undertaken to prepare such a work.

Practical experience has shown that complaints have not been leveled at the actions of the financial organs regarding the questions of computing and levying income taxes on persons who are engaged in individual labor activities. This has been facilitated by the fact that the income-tax rates have been substantially lowered, and estimated annual incomes are now specified by citizens themselves (with subsequent monitoring controls by the financial organs) as well as by the fact that the USSR Ministry of Finance has issued detailed instructions regarding these matters, which in the center as well as in the localities have been extensively commented upon and explained with the help of the mass media.

At the same time, a number of questions have arisen which are connected with payment for patents, as developed and approved in the Union republics. The USSR Goskomtrud, Ministry of Finance, and Ministry of Justice in recommendations published for the Councils of Ministers of the Union republics with regard to applying the Law on Individual Labor Activity proposed to include in the list of the kinds of occupations requiring a patent to be obtained only those which are connected with travels (for example, hauling passengers and freight in privately owned transport) or those the incomes from which are difficult to check up on (for example, commercial photography). However, the Union-republic Councils of Ministers did not heed these recommendations, and they promulgated decisions which provided for the issuance of patents on an excessively broad range of occupations, including even those concerning which there are usually no difficulties in discovering citizens' actual incomes. Inasmuch as the payment for patents has been established by proceeding from the average income amount for the republic, it has turned out that, in many cases, it is either much lower than that amount which could be levied in the form of an income tax or, on the other hand, higher than that income which a citizen who wished to engage in the given type of activity would be able to receive.

Furthermore, in most of the republics the solutions adopted by the Councils of Ministers grant the right to take out a patent or a registration certificate to the citizens themselves. This has led to a situation where certain citizens, having figured out that the payment for a patent would be incommensurately lower than the supposed income, still insist that they be issued this patent. This not only is detrimental to the interests of the budget but does not even correspond to the principles of social justice.

Nor have the recommendations of the USSR Goskomtrud, Ministry of Finance, and the Ministry of Justice been carried out in the Union republics on differentiating the payments for patents by regions with varying income levels for the same crafts or industries. Most of the Union-republic Councils of Ministers have limited themselves to granting the right to the ispolkoms of the local soviets to increase or decrease the sizes of the payments for patents established for the republic in a specific percentage. However, in many cases, this is not utilized.

There are also other matters connected with the payment for patents which attest to the need for introducing refinements and changes in the legislations of the USSR and the Union republics.

Familiarity with practical experience in the localities as well as incoming letters from citizens attest to the fact that not everyone has yet fully solved the problems of supplying those persons engaging in individual labor activity with the necessary raw and other materials, equipment, and space. At the same time, in the Armenian SSR, Kharkov Oblast, Krasnodar Kray, and other places the solution to the problems of supplying such persons with everything necessary is being carried out in a comprehensive manner, by means of specialized stores and in the form of opening-day sales. However, in most of the regions investigated the work of the USSR Gosnab organs and the enterprises under the USSR Ministry of Trade along these lines is still not well-enough arranged. Even the problems of helping citizens to see the items which they manufacture at markets and other places are not being successfully solved in a number of localities.

There are still numerous instances of goods being sold or services rendered for which permission has not been granted. In a number of localities widespread dissemination has been attained by multiple copying with the aid of home photography of all manner of schemes for distribution in cities of commercial and spectator enterprises, as well as various horoscopes. Here and there attempts are being made to sell works of depictive and other art which are in contradiction to Soviet ideology and morality, along with those which propagandize religious subjects. There are grounds for assuming that in certain places persons have appeared who buy and resell items of domestic and other types of handicrafts. The number of persons who have applied for permission to engage in transport services and coaching (7,400 and 1,200 persons respectively) is clearly lower than the number of people who are actually engaged in these types of activity.

During the current year the financial organs, according to incomplete data, compiled more than 18,000 records of various types of violations of the Law. However, the struggle against such phenomena is still being waged weakly and ineffectively. Even in cases where the financial organs compile records on such persons and hand

them over to the administrative commissions attached to the ispolkoms of the Soviets of People's Deputies, the latter do not always apply the measures provided by the legislation against violators; they frequently limit themselves to oral reprimands, or they impose fines which are much lower than those established by law. The USSR Ministry of Justice and its republic-level organs have refused to elaborate legislation which would precisely provide obligations for these or other organs to draw up records on violators. As a result, it is only the financial organs which are performing this work. The internal-affairs organs are still not active enough in carrying out the function with which they have been charged regarding the monitoring of individual labor activity, while the ispolkoms of the Soviets of People's Deputies, to which the Law has assigned the duty of monitoring the observance of the legislation on individual labor activity has practically transferred this work to the financial organs.

The increase in the number of persons engaging in individual labor activity and the substantial broadening of the types of such activity have considerably complicated the work of the financial organs, in particular, those in the cities and major administrative centers. It is important to bear in mind, moreover, that the financial organs must monitor not only "their own" payors but also many arriving from other cities and regions of the country, inasmuch as restrictions on craftsmen and artisans from moving around the country have been completely removed.

At the present time work in the financial organs on observing the legislation on cooperative and individual labor activity is engaged in by slightly more than 16,000 persons. Numerous requests are coming in from the localities to strengthen this machinery, to significantly improve its financial security, and to create the conditions for stimulating the effectiveness of financial control. There are proposals to set up a specialized "tax inspectorate," making it separate from the financial system.

The first few steps in developing cooperative and individual activity urgently require solution of the following problems:

- 1) permit cooperatives to sell their own products and render services both in the areas of their permanent activity as well as in other regions of the country, including to enterprises, organizations, and institutions;
- 2) permit in areas with surplus labor resources the creation of cooperatives from persons who are not participating in the public production center;
- 3) elaborate the legal groundwork for creating other cooperatives (for example, those of a cultural-leisure, health-restoring, and other types).

4) establish income-tax rates on a progressive basis, depending upon the income level of the cooperatives, and introduce progressive taxation on the incomes of cooperative members, proceeding from the amounts of the wages to be received;

5) grant the right to ispolkoms of rayon, city, and municipal-district Soviets of People's Deputies to establish the amounts of payments for patents to engage in individual labor activity, since these ispolkoms have more precise data at their disposal with regard to incomes in this sphere of labor activity;

6) form financial inspectorates within the financial ministries of autonomous republics, kray, oblast, okrug, city, and rayon financial administrations (divisions), and assign them the task of monitoring the completeness and timeliness of tax payments by cooperatives, based on the production and sales of goods and the rendering of services, as well as tax payments by citizens engaging in individual labor activities;

7) work out proposals which will facilitate upgrading the occupational training and material motivation of the tax personnel.

Development of cooperative and individual activities is aimed at more fully satisfying the population's needs for goods and services, as well as creating normal conditions for the production and management activities of cooperatives and individuals. However, we must not allow the above-indicated activities to be utilized for the purposes of self-seeking and acquisitiveness as a result of inflating prices on goods and services.

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2384

Role, Elections of Labor Councils Explained

Recommendations Published

18280045 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 9, Feb 88 pp 17-18

[Recommendations on the procedure for electing councils of labor collectives and for conducting elections of directors and competitions to fill the positions of state enterprise (association) specialists]

[Text] The expansion of the rights and independence of enterprises in accordance with the USSR Law on a State Enterprise (Association), the shift of enterprises to complete cost accounting and self-financing and the expansion of democratic principles in management are opening up new opportunities and prospects for accelerating the production, technical, social, and economic development of enterprises and for strengthening their personnel potential; they are allowing a labor collective and each worker to indeed show himself to be a genuine master in production.

The establishment of labor collective councils, the introduction of elections for directors of enterprises and their subunits and the expansion of the practice of filling specialist positions on a competitive basis are strengthening and organically combining the principles of self-management and one-man management; they are increasing the authority of directors and specialists and are strengthening the collective interests and responsibility of all enterprise, association and organization workers in achieving high final results.

The USSR Law on a State Enterprise (Association) and other legislative acts of the USSR and union republics are the basis for the activity of a labor collective council and the election of directors.

The preparation for and conduct of elections for labor collective councils and directors and of competitions to fill specialist positions in enterprises and associations are carried out under the direction of the primary party organization. In this regard, the party organization carries out the personnel policy of the CPSU; insures the integral combining of the interests of the state, the labor collective and each worker; and performs this work based on broad democracy and glasnost.

Recommendations have been developed for enterprise collectives, their administrations and party and trade union agencies in order to provide them with methodological help in organizing the conduct of elections for labor collective councils and enterprise (association) directors and the competitions to fill vacant specialist positions.

The Election of Labor Collective Councils

1. The labor collective council of an enterprise (base unit of an association) exercises the powers of a labor collective during the period between meetings (conferences).

2. The labor collective council is elected for a period of two-three years at a general meeting (conference) of the collective of the enterprise (base unit of an association) by secret ballot or a show of hands.

It is recommended that notification about the time for conducting the meeting to elect the council be made no later than 15 days before the election.

3. The election of labor collective council members is done from a list of candidates, who have been nominated directly at the meeting (conference) of the labor collective by party, trade union and other public organizations; by the collectives of base subunits; by the enterprise administration; and by labor collective members. Party, trade union and other public organizations and the administration can propose a single list of candidates to the meeting.

4. The labor collective meeting (conference) to elect a labor collective council is convened by the trade union committee and the enterprise (association) administration. They determine the representation norm for delegates to a conference. A meeting is considered competent if more than half of the total number of collective members participate in it, and a conference requires no less than two-thirds of the delegates.

Candidates, for whom a majority of the labor collective members that participated in the meeting (a majority of the conference delegates) voted, are considered elected. The numerical strength of a council is determined by a general meeting (conference) of the work collective. It must be such that the timely and qualitative solution of tasks, which have been entrusted to the labor collective council, is assured — but no more than 30 individuals.

Workers, brigade leaders, foremen, specialists, and representatives of the administration and party, trade union, Komsomol, and other public organizations are elected to a council. Representatives of the administration should be no more than a quarter of the total number of labor collective council members. It is recommended that each candidacy be discussed separately during the meeting.

If as a result of the elections the number of those elected (persons who have received a majority of the votes) turns out to be more than the number determined by the meeting, the meeting has a right either to review its decision on the quantitative composition of the council or to leave on the council those candidates who received the most votes of the participants in the meeting (conference). The composition of the council is usually renewed by no less than a third during subsequent elections.

5. The chairman, deputy chairmen and secretary of the council are elected from the composition of the council at its organizational meeting by a simple majority vote. It is recommended that progressive workers, brigade leaders, specialists and the directors of sections, shops, departments, and other similar subunits be elected council chairmen. It is not recommended that the directors of enterprises (associations, organizations) and public organizations be elected chairmen of labor collective councils.

All the council members, including the chairman, his deputies and the secretary of the council, remain full-time workers and perform their duties on a public basis.

6. If a council member does not justify the trust displayed in him, he can be released from its staff during a meeting (conference) of the labor collective.

Elections of Directors in Enterprises (Associations)

7. The election principle is being used for the directors of enterprises (associations), base units of associations, works, shops, departments, sections, farms, links, and other subunits as well as for foremen and brigade leaders. Deputy directors and the directors of the legal and bookkeeping services and the quality control service of an enterprise are appointed to their positions and released by the enterprise director with the subsequent approval of the higher agency.

Considering production peculiarities, the labor collective council determines the specific dates for conducting the elections for this or that position being filled by an election.

8. Young specialists, who have been sent to an enterprise (association) after completing higher and secondary specialized training institutions, are appointed to positions, which are filled by elections, by enterprise directors with the concurrence of the appropriate collective council without conducting elections.

9. Directors of newly built or established enterprises (associations) are appointed to their position by the higher agency. The periods for conducting the elections of these directors are established by a labor collective council decision that has been coordinated with the higher agency.

10. Party and public organizations, the labor collective council, the enterprise administration, subunit collectives, and higher organizations can nominate candidates for positions, which are being filled by elections, with the agreement of the candidates themselves. Any worker has a right to offer his candidacy as well.

11. In order to reveal the worthiest candidates for the position of director, the election is usually carried out competitively among the aspirants.

Based on a decision of the appropriate collectives, the selection of foremen, brigade leaders and directors of sections, farms, links, and other similar subunits can be conducted on a noncompetitive basis.

12. It is recommended that announcements of the election of directors for enterprises, their subunits and the base units of associations and of foremen and brigade leaders and information on the timeframes for submitting applications and on the professional qualification requirements and other qualities of the candidates be placed in branch, republic, local, plant, and wall newspapers and other information media no later than a month before the time set for the elections.

The nomination of candidates and the acceptance of applications to participate in the elections are stopped usually two weeks before the elections begin.

13. A competition commission for organizing the conducting of the election can be established in the enterprise by a joint decision of the labor collective council and the administration. Its composition usually includes representatives of the labor collective council, administration and party, trade union and other public organizations as well as progressive workers, scientific workers, and leading specialists in the enterprise, other enterprises, organizations, and higher management agencies. The competition commission acquaints itself with the candidates to fill the position of director and studies their work, political, professional, moral, and other qualities.

The organizational and technical work to prepare for the elections is carried out on instructions from the labor collective council of the enterprise's personnel service.

14. An opportunity to familiarize themselves with the enterprise in the prescribed manner, to obtain information that interests them, and to visit the appropriate enterprise subunits is granted to candidates seeking to fill the positions of director.

The competition commission can invite aspirants, if it is deemed advisable, to develop proposals on solving the most urgent production, economic, social, and management tasks facing the enterprise or its subunit.

Based on a study of the material and discussions with the candidates, the competition commission can recommend that individual ones withdraw their candidacy from the voting.

15. Based on the conducted interviews and meetings, the study of the aspirants' proposals and an analysis of the documents presented and considering the opinions of the party, soviet and trade union bodies and the labor collective council, the competition commission prepares conclusions on the candidates seeking to fill the position and brings them to the notice of the labor collective meeting (conference). In doing this, the commission abstains from recommending the selection of one candidate or other to the collective.

16. The list of candidates participating in the elections and the main information on them is usually passed to the collective no later than a week before the elections. At the initiative of the collective of the appropriate subunit, meetings can be conducted with the candidates.

Each candidate for an elective position has the right to refuse to participate in the elections during any stage of their conducting.

17. The meeting (conference) to select directors reviews the material of the competition commission and decides the question about including the appropriate candidates on the ballot.

An opportunity to appear before the collective and to set forth the program for his activity is offered to the candidates who are included on the ballot. Any member of the labor collective can participate in the discussions.

18. The competency of the meeting (conference) during the election of directors is established the same way as during the elections of the labor collective council. A candidate, who has received a majority of the votes when more than half of the participants in the meeting (conference) have voted for him, is considered elected.

If none of the candidates has received more than half of the votes, a second balloting is conducted. The two candidates, who have received the highest number of votes, are allowed to participate in it as a rule. If no candidate has received more than half of the votes during the second balloting, new elections are set.

19. The directors of enterprises and the base units of associations are elected at a general meeting (conference) of a labor collective by a secret ballot or by a show of hands (at the discretion of the meeting or conference) for a period of five years and are approved by the higher body.

The director of the leading base unit (leading enterprise), who is elected by the labor collective, is approved by the higher agency for the position of association director.

In cases where the administration of an association is carried out by a detached staff, the director of the association is elected at a conference of representatives from the work collectives of its base units and enterprises.

The directors of enterprise subunits, foremen and brigade leaders are elected by the appropriate collectives by secret ballot or by a show of hands (at the discretion of the collective) for a period of up to five years and are approved by the enterprise director.

20. The decision of the labor collective meeting (conference) about the election of a candidate to the position of enterprise (association) or association base unit director is the basis for the approval of that candidate for the position by the higher management agency.

If the higher agency does not approve the candidate, who has been elected by the labor collective to the position, it must explain to the labor collective the reasons for its refusal to approve the results of the elections. In this case, new elections are conducted.

21. The decision of the collective meeting about electing a candidate to the position of enterprise subunit (association base unit) director is the basis for the administration of that enterprise (association base unit) to issue an order about approving that candidate for the appropriate position.

If the enterprise administration does not approve the candidate, who has been elected by the appropriate collective to the position, it must explain to the collective the reasons for its refusal to approve the results of the election and new elections are conducted based on a decision of the collective's council.

22. In those cases where the directors of enterprises (associations) and association base units cannot cope with their duties or for other reasons, their early release from the position is done in the prescribed manner by the higher agency based on a decision by a general meeting (conference) of the labor collective. When doing this, the initiator of the early release of the director from his position can be the labor collective, the labor collective council or the party, soviet, trade union, and higher management agencies. In this case, the mentioned agencies justify their proposal before a general meeting (conference) of the labor collective or its council.

The early release from the position of a director of an association with a detached management staff is accomplished in accordance with a decision of a conference of representatives from the labor collectives of its base units (enterprises).

If the directors of subunits, foremen and brigade leaders do not cope with their duties, the director of the enterprise can relieve them from the position, which they occupy, in the prescribed manner based on a decision of the collective of the appropriate subunit.

23. The directors of enterprises, association base units and subunits and foremen and brigade leaders, who have been released from their positions upon the expiration of their terms, can be elected again or sent to other work in accordance with the procedures established by legislation concerning persons who have been released from elected positions.

24. Statements about violations of the procedure for conducting the elections of enterprise (association) directors and association base unit directors can be submitted for a joint review to higher economic and trade union bodies; those concerning violations of the procedure for conducting elections of enterprise subunit (association base unit) directors, foremen and brigade leaders are examined by the labor collective council together with the administration and trade union committee of the enterprise (association base unit).

25. Based on the USSR Law on a State Enterprise (Association) and considering the present recommendations and the specifics of production in an enterprise, a statute on the procedure for electing labor collective councils and conducting the election of directors, which is approved at a meeting (conference) of the labor collective, is developed.

Filling Specialists Positions and Directors on a Competitive Basis

26. In order to increase objectivity in the selection of highly qualified specialists for positions where the professional qualities of workers have special importance, it is recommended that a competitive selection and assignment system be used for vacant positions.

The positions of chief specialists, specialists and directors, which do not provide for an election, can be filled by conducting a competition. The enterprise director and the labor collective council make a decision together on what vacant positions are to be filled by a competition.

The present procedure for conducting competitions does not touch upon the procedure and conditions for conducting competitions to fill the positions that have been prescribed by individual decisions of the USSR government.

27. In order to conduct a competition, competition commissions are established by a decision of the enterprise (association base unit) director. In individual cases, a competition commission can conduct a competition to fill several vacant positions in accordance with a decision by the enterprise director. The composition of the commission includes representatives from the collective councils, administration, party, trade union and other public organizations, and highly qualified specialists in the appropriate specialty.

The main task of the competition commission is to provide recommendations to the enterprise director on the appointment of a specific person from the aspirants, who are participating in the competition, to the position.

28. It is recommended that the announcements about the conducting of the competitions, the timeframes for submitting applications, and the requirements for the professional qualifications and other qualities of the candidates be published in the branch and local press and that the progress of the competition and its results be broadly covered by the mass information media of the enterprise.

29. Party and public organizations, the labor collective council, the collectives of subunits, and the administration of the enterprise can — with the agreement of the candidates themselves — nominate candidates for the positions that are being filled on a competitive basis. Any worker, who satisfies the professional qualifications and other qualities that have been announced for this or that position, has a right to propose his candidacy for participation in the competition.

30. Based on interviews and the documents submitted, the commission evaluates the candidates seeking to fill the position from the point of view of their having the required work experience, their educational level, and

the conformity of their specialty and qualifications to the announced requirements for that position, as well as with a consideration of the labor collective's opinion about the candidates. The commission has a right to suggest that the candidates, who satisfy these conditions, develop papers on problems connected with their future work in order to reveal their competency as specialists.

31. Based on interviews with the candidates and evaluations of the papers prepared by them and using other methods for studying the business qualities of the aspirants, the competition commission makes a decision about recommending this or that person to fill the vacant position for which the competition was announced.

The competition commission makes its decision by majority vote using a show of hands or a secret ballot. When the votes are equal, the decision, for which the competition commission chairman voted, is adopted.

32. Appointments based on the results of the competitions are made by the director of the enterprise (association base unit) considering the decision of the competition commission.

...

The conducting of elections for labor collective councils and directors and the filling of positions by specialists on a competitive basis should insure involving in administration workers who enjoy the trust of other workers; who possess professional competency, high moral and political qualities and a deep interest in the economic use of socialist property; and who are capable of insuring the combining of the interests of society, the collective and each worker.

Shalayev Discusses Method

Moscow IZVESTIYA in Russian 14 Feb 88 p 3

[Interview with Stepan Alekseyevich Shalayev, AUCCTU chairman, by IZVESTIYA correspondent M. Berger; date and place of interview not given; first three paragraphs are IZVESTIYA introduction]

[Text] A period of new production relationships has begun for thousands of labor collectives and for the entire economy with the entry into force of the Law on a State Enterprise. One of the most characteristic distinctive marks of these relationships is the election of directors of various ranks and the appearance of a new economic self-management agency — the labor collective council (STK). It is typical that elections of both directors and councils began even before the law on enterprises went into effect and, in a number of cases, even before the publication of its draft.

However, how is one to elect, who is to be elected, and how are the candidates evaluated — these and numerous other similar questions have arisen and are arising practically everywhere.

The CPSU Central Committee Politburo recently approved recommendations, which had been prepared by the AUCCTU and USSR State Committee for Labor and Social Problems on the procedures for electing labor collective councils and for conducting the elections of enterprise directors. An IZVESTIYA correspondent met with S. A. Shalayev, AUCCTU chairman, and asked him to talk about how these recommendations were prepared and what impact they have been called upon to exert on strengthening the democratization of the economy.

[Question] Stepan Alekseyevich, why was it necessary to develop recommendations common for everyone? Would it not have been better to offer the collectives a range for their creative independence in these matters?

[Answer] The work collectives themselves were the initiators of the recommendations. Representatives from many of them, including the chairman of already operating councils, sent requests to us in the AUCCTU to develop either a type statute or recommendations about the conducting of elections and about the rights and duties of a labor collective council. Economic directors and trade union workers also sent similar requests to us. Thus, the appearance of the recommendations is not an attempt to regulate democracy from above but a response to initiatives from below. Their purpose is to help labor collectives orient themselves in the new situation and to help them, as is said in the law, to concentrate their main attention on developing the worker's initiative.

[Question] Nevertheless, will these recommendations not be transformed into some kind of dogma from which it will not be possible to deviate one iota under any circumstances? We know that recommendations, especially those coming from above — yes, even from such a height — can be interpreted as an order or as instructions.

[Answer] I want to point out that they are not a law on electing directors and the labor collective council, they are not a directive, they are not even a statute or instructions — they are recommendations. The appropriate editorial board is in the document. They are something like an administration council, public organization and labor collective council.

[Question] Good, but if there was such a pressing need for recommendations, why did they appear after the Law on an Enterprise went into effect and after the new life had already begun for thousands of labor collectives?

[Answer] According to data from a selective investigation by the USSR State Committee for Statistics, more than 30,000 directors of various ranks had been elected by 15 September of last year by labor collectives in industry and approximately 6,000 in construction.

These examples testify to the fact that regulations on self-management and the election of directors were to the liking of labor collectives. They were taking advantage of them without even waiting for the official adoption of the law. This was the best evidence of an approving attitude toward the law.

Along with this, the experience, which had been accumulated during the period prior to the entry of the law into force — that is, prior to 1 January 1988 — helped a great deal in preparing the recommendations which we are discussing with you.

[Question] Perhaps the "anticipation syndrome" had an effect here — the old custom of reporting in haste without being especially concerned about the quality and cost of the innovation?

[Answer] I cannot agree with this. First, although thousands of directors had been elected by the middle of September, they represented barely more than one percent of the total number of these positions. The mania for reports, as practice shows, is demonstrated usually on other scales. Second, a majority of the publications on the elections testified to a strenuous pre-election struggle between the candidates. Yes, the stories about conflicts, which originated based on this, testify to the people's informal attitude toward the new task — although, of course, one cannot do without any "duty" conducting of the elections.

[Question] This year, labor collective councils — the new production self-management agencies — will not only operate in the most mature collectives, which are filled with initiative, but also in an absolute majority of enterprises. A considerable place in the law is devoted to the rights of this agency — but there should not be any rights without duties. However, neither in the law nor in the recommendations are there any words about the responsibility of a labor collective council for its actions. Suppose that a director under pressure from the council makes a decision that is wasteful for the enterprise or that leads to the frustration of an important task — who will answer for this? The director? You see, however, he was carrying out a labor collective council decision that was binding on the administration.

[Answer] The director, of course, will have to answer. However, the entire collective will also inevitably suffer as a result of that decision and will then make the members of its council fully responsible at one of its meetings. You see, the labor collective council is accountable to the meeting.

[Question] It seems to us that the labor collective council members are in a somewhat privileged position in this case? They, of course, could be deprived of their trust mandate ahead of time and removed from their work on the council, which they are performing on a public basis.

The director can also be removed from his position. In contrast to a position on the labor collective council, however, it is the source of his livelihood.

[Answer] A director's responsibility undoubtedly is more topical and much higher but, you see, that is why he is the primary director. The director's rights and capabilities are sufficient to correct a mistake by the labor collective council. If, as a qualified specialist and leader, he is convinced that the council's decision can cause damage to society or the collective, he should use his participation in the work of the council to convince it to adopt another — a correct — solution or, if he cannot manage to do this, to submit the matter for discussion at a general meeting of the labor collective which ideally trusts him since it elected him to be its leader.

I do not rule out a version where he did not have enough arguments and the council, which incidentally was also elected by the collective, won in the debate. However, the consequence of such a chain of events should invariably sober both the labor collective council and the entire collective. None of our enterprises can function autonomously. It is linked with its cooperating partners, dozens of different organizations and local management agencies by a multitude of threads. If a labor collective council, which is pursuing a policy of "group egoism", is suddenly found, it encounters very soon reciprocal actions from everyone with whom the enterprise is connected. All of this can affect in the most negative way the final work results of the collective and its material prosperity.

[Question] Stepan Alekseyevich, what should the structure of a labor collective council be and how many people should be elected to it?

[Answer] The recommendations state that the size of a labor collective council should be minimal — up to 30 people — so that it can be a mobile agency for economic self-management and be able at any moment to assemble and discuss effectively this or that question. Tell me, can such a council, as they elected at the Kalininskiy Glass-Reinforced Plastic and Glass Fiber Plant assemble more often than once or twice a year? Here, 360 people were elected to the labor collective council — one out of every ten workers in the enterprise. Naturally, such a council cannot solve current operational questions. For this they elect a presidium which usually also has "many seats", and this means that it is not mobile. Then, they elect a labor collective council presidium bureau which handles current affairs. However, this is the same existing bureaucracy on a democratic basis where a narrow circle of multi-step nominated individuals — essentially something similar to a staff — engage in solving all questions in the name of a democratically elected — but incapable — self-management agency.

Why is this done? You see, it is necessary to keep in mind that labor collective councils are being created in shops and in other subunits. Thus, 184 councils are

operating in all works and shops and approximately, 3,000 brigade councils, to whose staff 22,000 people — including 20,000 workers — were elected, in the AvtoVAZ [Volga Motor Works] Association.

[Question] What do you think of the idea of so-called "permanent membership" in a labor collective council? Several collectives are reserving places for economic and public agency directors and they are included automatically on the councils without elections.

[Answer] Every council member, without any exception, should be elected at a meeting. There is no automatic membership for this.

Of course, considering the role and tasks of the labor collective council, it is advisable to elect the director and representatives from the other sides of the "quadrangle" to it — but elect them and do not incorporate them automatically.

[Question] One of the most acute and widely discussed questions of the production self-management, which is taking shape today, is: Who should the chairman of a labor collective council be?

[Answer] Considering experience accumulated and the suggestions from the spot, it is recommended that a progressive worker, brigade leader, specialist, or a director of a lower base unit be elected the council chairman. It is not recommended that the directors of enterprises and public organizations be elected labor collective council chairmen.

I want to point out with satisfaction that this AUCCTU position has received the firm and resolute support and approval of the directors of the CPSU Central Committee and the government.

[Question] Practice, however, provides quite a few examples that are directly opposite. According to data with which they familiarized me in the AUCCTU, 1,830 of the 2,089 labor collective councils, which were elected in the enterprises of Moscow Oblast, were headed at the beginning of the year by economic directors and only 68 — 3.3 percent — by workers. In Sverdlovsk and Ivanovo oblasts, economic directors head more than 90 percent of the councils. In Kareliya only 17 of the 386 council chairmen are workers, and only four of the 410 chairmen in Altay are workers.

[Answer] Yes, this practice is unfortunately being spread. It makes the activity of the council dependent on the director and inevitably narrows democracy.

[Question] Is not this practice evidence that enterprises simply receive the following recommendation from interested departments — elect the director as the chairman of the labor collective council. It is more convenient, for example, for a rayispolkom to influence a plant through the director according to already established patterns. But suddenly there appears another influential force

[Answer] I think that it is not so much the local agencies that follow this policy as it is individual ministries where they are rather afraid of entrusting worker self-management to workers. They think that the workers do not have enough knowledge and information to make highly qualified and responsible decisions. Gosstroy even distributed in its system recommendations that were developed in one of its institutes — and we are now echoing them — with direct instructions to elect the director chairman of the labor collective council. Some ministries are continuing to issue similar recommendations orally: They say that it is desirable to elect economic directors to this position at first during the formation period.

[Question] With an extremely widespread inclination among us to follow precedent, the position of labor collective council chairmen could always remain with the director.

[Answer] Quite right! I think that the supporters of this approach are not correct in principle. One should not be afraid that a worker or brigade leader will head a labor collective council. On the whole and basically, he will not make a mistake; specialists will always advise him on special questions. Yes, the experiences in the actions of councils at such large enterprises as VAZ, Uralmash [Urals Heavy Machine Building Plant], Kharkov Tractor Plant, Leningrad Maritime Commercial Port, and Trekhgornaya Textile Mill, and other ones, which are headed by workers, show that they cope with their duties excellently.

Incidentally, I can surmise what guides Gosstroy in distributing its recommendations. You see, they have such a wonderful example in the economic council headed by N. Travkin who at the same time directs the construction organization.

I would like, incidentally, to note that N. Travkin has grown from a worker into a strong director due a great deal to his active participation in the development of self-management. There is every justification to think that the participation of workers and specialists in self-management agencies, especially in a labor collective council, will become a good school for training new production directors and organizers. It is possible to corroborate this with many other examples.

However, it is also true that the level of democracy should not depend on someone's personal qualities. N. Chernyshevskiy very correctly pointed out at one time:

Only that good, which does not depend on a person who appears accidentally but which is based on independent establishments and on the independent activity of nations, is a solid one.

Thus, it is better to orient oneself on a good organization of work self-management.

[Question] What is your attitude toward cases where they elect the trade union leader of an enterprise to be the labor collective council chairman?

[Answer] Unfortunately, I must admit, to your bewilderment there are such cases. During the December AUCCTU Plenum, we discussed such a combination of duties. The chairman of a trade union committee already heads a public organization which occupies its own important place in the self-management system. This position has been reflected in the recommendations. We express the hope that enterprise directors and trade union chairmen, who have already been elected labor collective council chairmen, will regard these recommendations with understanding.

[Question] Yes, they will not ubraid you for a "departmental approach".

[Answer] We have tried to approach the problem primarily from the viewpoint of the task.

[Question] A number of socialist countries had begun to develop economic self-management somewhat earlier than us. Did you study their experiences during the preparation of the recommendations?

[Answer] The AUCCTU and the State Committee for Labor and Social Problems carefully studied this experience and without a doubt took it into consideration. It is necessary to say that the approaches to the representation of the administration on self-management bodies are extremely diverse in the socialist countries and, at times, contradictory. In a number of countries, for example, in Yugoslavia and Poland, the administration representatives are, generally speaking, not elected to the staff of self-management agencies. In Bulgaria, there are no limitations on electing a director chairman of an economic council. In Romania, the secretary of the party organization is the chairman of the council and the director heads the executive bureau of the workers' council. In Hungary, the director is included in the enterprise council by virtue of his position, but cannot be elected chairman or even deputy chairman.

As you see, there are many variants. In preparing the recommendations we proceeded from those very important tasks in expanding democratization and self-management, which were defined by the 27th CPSU Congress and the January 1987 Central Committee Plenum and which have been reflected in the Law on an Enterprise.

[Question] Stepan Alekseyevich, what if a labor collective council suddenly adopts a decision that infringes on someone's rights, what should happen? Should one not submit to the council's decision which is binding on everyone? Or what if a decision, which is contradictory to existing norms and rules, appears?

[Answer] This is completely possible. Let us say that a labor collective council makes a decision to work 10 hours plus every day off during December. Then, the plan will be fulfilled and wages will rise. He who refuses or is not able will not receive any type of incentive

The situation is not so hypothetical. We have received quite a few proposals from economic management agencies and even from some legal agencies to grant — now that the Law on an Enterprise is in effect — to a collective or the labor collective council itself the right to decide a question concerning overtime. This is a very dangerous path that can lead to an absolute increase in the work day with all of the consequences that flow from this. The norm for overtime — no more than 120 hours — has been determined by legislation and a decision by a labor collective council, which contradicts it, has nothing in common with democracy. If such a decision appears, it is the task of the trade union committee to appeal to a meeting and to show the illegality of the labor collective council's actions. Labor collective council decisions are binding only in those cases where they are taken within the limits of its competency and in accordance with legislation. This is stated in the Law on a State Enterprise.

[Question] Stepan Alekseyevich, several questions on the election of directors. First of all, why was such a detailed procedure necessary in general? You were the director of a timber industry facility. Higher leaders appointed you to this post. Judging from the fact that in time you became the minister of the timber, pulp and paper, and wood processing industry, you knew your work. Imagine now that you were faced at that time with being elected to the post of director. How would you have regarded this?

[Answer] Very well. I say this quite candidly. Of course, it is more tranquil to be appointed. An appointed director, however, knows the attitude of only one side towards him — the higher leaders. For a true self-evaluation, every director simply needs elections. It is as if an elected director receives more rights. The trust mandate of a collective is capital which is worth very much and which opens up large opportunities.

[Question] Are all present directors waiting for re-election meetings?

[Answer] Yes, absolutely everyone who is mentioned in Article 6 of the Law on a State Enterprise. These are the directors of enterprises, association base units, works, shops, departments, sections, farms, and links as well as foremen and brigade leaders.

It is necessary to point out that several departments, citing production peculiarities, made recommendations about freeing their branches or individual enterprises from the election of directors during the discussion of the recommendations. The Ministry of Railways, Ministry of Coal Industry and several other ministries strove for this. Their proposals were not accepted. There is no justification for not trusting the labor collectives of entire branches.

[Question] Does the danger not exist that collectives will be found who will elect a spineless and undemanding director in their search for an easy life?

[Answer] Experience shows that in the majority of cases the people prefer exacting but just and competent direction. It has happened, of course, where they have nominated "comfortable" directors. However, it very soon became clear that you would not earn much with a "comfortable" director.

[Question] Well, let us take a restaurant — specifically, a labor collective. Whom will they elect as director there: a strict and intelligent manager or an individual without any talent who will permit others to do his work? You see, the "fat" from this work can exceed manyfold the basic wage without bonuses and with the above-mentioned?

[Answer] Honestly speaking, I do not know what I do not know. I think that it should not be necessary to summarize in this case. Moreover, the Law on a State Enterprise does not replace the criminal code.

[Question] Under what conditions can an elected director be released from the position he holds?

[Answer] The labor collective, labor collective council and party, soviet, trade union, and higher economic agencies may be the initiator of the early release of a director. In this event, the mentioned agencies should substantiate their recommendation before a general meeting of the labor collective or its council.

[Question] Let us assume that the meeting does not adopt such a decision

[Answer] In that case, the director cannot be dismissed.

[Question] Unfortunately, even in an extended interview it is not possible to discuss all of the questions that are arising in connection with the introduction of the labor collective council and the election of directors.

[Answer] This circumstance only makes me happy. Since questions, problems and even conflict situations are arising in such an abundance, this means that we are not approaching the elections and establishing labor collective councils in a pro forma way. There are always many questions in a vital affair, especially at first. I am confident that time and experience will suggest their solution. We should always assist this in every way possible.

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ORGANIZATION, PLANNING, MANAGEMENT

Moscow Instrument Plant Holds Competition To Fill Manager's Job

18230017 [Editorial Report] Moscow STANKI I INSTRUMENT in Russian Number 2, February 1988 carries a 1600-word article on pages 2-3 by S.G. Vasilyev, which describes the competition to fill a management vacancy conducted at the Moscow Instrument Plant [MIZ]. With the blessing of Minstankoprom [Ministry of the Machine Tool and Tool Building Industry], a commission for carrying out the competition was formed, headed by the plant director. The plant newspaper INSTRUMENTALSHCHIK published an announcement of the competition, as well as the "Provision on Competition for Filling Vacant Positions." The newspaper VECHERNYAYA MOSKVA carried a similar announcement.

Eligibility requirements included a permanent residence in Moscow, an age no older than 45, and an ability to fulfill the management duties "on the basis of experience, knowledge and qualifications," which correspond to "modern demands of science and leading practical experience." The commission reviewed the documents submitted by contestants and interviewed each one. After discussion with each candidate the commission "suggested" to the shop that Yu.G. Polkanov be "elected". The shop met, "supported" his candidacy and formally "elected" him.

Vasilyev concludes: "Currently selections of management have been, are being and will be conducted at many enterprises. Evidently, the need has arisen to develop a general provision on conducting competitions to fill vacant positions. Therefore, the experience of those plants and associations where such selections have already taken place, including the experience of MIZ, should be taken into account."

PRODUCTION

Measures To Improve Efficient Use of Machine Tools Outlined

18230008a Moscow MEKHANIZATSIYA I AVTOMATIZATSIYA PROIZVODSTVA in Russian No 1, Jan 88 pp 37-39

[Article by A. A. Panov, candidate of technical sciences: "Utilization of the Stock of Machine Tools in Machine Building"]

[Text] The USSR national economy is consistently following a course toward raising the technical level of production, mainly as a result of restructuring the investment and structural policy and concentrating resources in the most important areas of scientific and technical progress. Under the 12th Five-Year Plan it is intended to increase the output of products from machine building

and metal processing by 40-45 percent, to reduce the time periods for the development of assimilation of new technical equipment by a factor of 3-4, to reduce the metal-intensiveness of equipment by 12-18 percent, to increase the loading of production capacities, and to increase the coefficient of shift operation of equipment by 1990 to 1.6-1.8, including equipment with program control—to 1.9 and flexible production modules and systems—to 2-2.5.

The state plan for the economic and social development of the USSR during 1986-1990 envisions:

raising the increase in machine-building output to 43 percent, which is higher by a factor of 1.7 than it is in industry as a whole; by 1990 from 80 to 95 percent of the basic kinds of products should be equal to the world level; the proportion of machines and equipment with electronic means of control, including microprocessors, in the overall output of machine-building products is to be increased from 3 percent in 1985 to 27-32 percent in 1990; there is to be a replacement of the active part of fixed capital in machine building and is to be increased from 2.2 percent in 1985 to 9.7 percent in 1990; the coefficient of removal of fixed production capital is to be increased from 1.8 percent in 1985 to 3.1 percent in 1990, and the active part—from 3.2 to 6.2 percent.

Under the 12th Five-Year Plan there is to be a significant increase in the volumes (in units) of progressive equipment, including: machine tools with numerical program control—by a factor of 1.9; processing centers—by a factor of 4.3; industrial robots—by a factor of 2.2; flexible production modules—by a factor of 2.8, and flexible production systems—by a factor of 3.

In the machine tool building and instrument industry it is intended to accelerate the output of progressive equipment necessary for technical reequipment of machine building and to considerably increase the manufacture of progressive new kinds of metal cutting, forge-press, casting and wood processing equipment as well as to increase its productivity by a factor of 1.5-1.6.

An analysis of the work of machine-building ministries has shown that in spite of the increase of the active part in the overall value of fixed production capital, the effectiveness of its utilization continues to decline.

The updating of fixed production capital is proceeding slowly and a considerable quantity of heavy and unique metal-cutting equipment has been in operation for more than 20-30 years. The aging of the active part of fixed production capital leads to a retardation of the rates of updating and a lowering of the technical level of the existing stock of metal-processing equipment.

Among the machine-building ministries the largest stock of metal-cutting machine tools is in the Ministry of the Automotive Industry (25.6 percent of the overall number of machines); the Ministry of Agricultural and Tractor Machine Building (15.1 percent); the Ministry of the Machine Tool and Tool Building Industry (10.8 percent); and the Ministry of the Electrical Equipment Industry (10.4 percent). The smallest number of machine tools is found in the Ministry of Power Machine Building (2.2 percent of the overall number of machines).

The quantity of metal-cutting equipment in basic production amounts to an average of 67.4 percent of the installed equipment. In certain ministries these indicators are higher than average: the Ministry of Agricultural and Tractor Machine Building (73.7 percent), the Ministry of the Machine Tool and Tool Building Industry (72.0 percent) and several other ministries. The smallest indicators are found in the Ministry of the Electrical Equipment Industry (56.9 percent) and the Ministry of Power Machine Building (55.6 percent). In auxiliary production on an average for machine-building ministries 32.6 percent of the installed equipment is metal-cutting machines.

This quantity of metal-cutting machines is installed basically in instrument and repair shops and also in shops for manufacturing nonstandard equipment, which is included in auxiliary kinds of production.

Instrument shops produce up to 75 percent of all the technological fittings but labor productivity is lower by a factor of 2-3 than in specialized plants.

Therefore it becomes necessary to revise the structure and reduce the quantity of metal-cutting equipment in auxiliary production and change it over to basic production on the basis of the introduction of progressive technological equipment, extensive application of unified readjusted and universal-assembled fittings and also the replacement of special adapters with ones that have been readjusted for multiple application.

According to the results of a one-time investigation in 1985 the coefficient of shift work of metal-cutting equipment in auxiliary production on an average for machine-building ministries is 1.17, and in individual branches this value is lower than average—in the Ministry of Heavy Machine Building, the Ministry of Power Machine Building, the Ministry of the Electrical Equipment Industry and the Ministry of Chemical Machine Building (1.11), in the Ministry of the Machine Tool and Tool Building Industry and the Ministry of Machine Building for Road Construction (1.13) and in others it exceeds the average indicator—in the Ministry of Machine Building for Light and the Food Industry (1.2), the Ministry of Instrument Making, Automation Equipment and Control Systems (1.24) and the Ministry of Agricultural Machine Building (1.28).

The coefficient of shift operation of equipment in basic production on an average for machine-building ministries is 1.45 and only in individual branches is it higher, but even then it is insignificantly higher.

A one-time investigation conducted by the USSR Central Statistical Administration showed that the coefficient of shift operation of equipment in basic production decreased for machine-building ministries during 1984-1985 by 0.03-0.07.

The stock of metal-cutting equipment in machine-building ministries is characterized by the following indicators:

equipment up to 5 years comprises 21.6 percent. In individual ministries this indicator is higher;

equipment from 5-10 years of age comprises 26.0 percent;

equipment from 10-20 years of age comprises 33.6 percent;

the stock of machine tools 20 years of age and older comprises 18.8 percent. The smallest quantity of equipment of this age was found in the Ministry of Machine Building for Road Construction (16.3 percent), the Ministry of the Machine Tool and Tool Building Industry (16.0 percent), the Ministry of Chemical Machine Building (14.1 percent) and the Ministry of Machine Building for Light and the Food Industry (13.5 percent).

The removal of machine tools under the 11th Five-Year Plan from the average stock for machine-building ministries amounted to 16 percent, which is 3.2 percent of the average annual removal.

The actual average annual removal of machine tools is: in the Ministry of Instrument Making, Automation Equipment and Control Systems—3.86 percent, the Ministry of Machine Building for Animal Husbandry and Fodder Production—3.9 percent, the Ministry of Chemical Machine Building—0.4 percent, the Ministry of Machine Building for Light and the Food Industry—4.44 percent, the Ministry of the Machine Tool and Tool Building Industry—5.34 percent, the Ministry of Machine Building for Road Construction—5.68 percent, and it was lower than average in the Ministry of the Electrical Equipment Industry—2.1 percent, the Ministry of the Automotive Industry—2.44 percent, the Ministry of Agricultural Machine Building—2.56 percent, the Ministry of Heavy Machine Building—2.6 percent and the Ministry of Power Machine Building—3.16 percent.

For the 12th Five-Year Plan machine-building ministries plan to increase the removal of metal-cutting machine tools from the existing stock as compared to the actual removal under the 11th Five-Year Plan.

The greatest average annual removal of machine tools under the 12th Five-Year Plan is planned for the Ministry of the Machine Tool and Tool-Building Industry (8.4 percent), the Ministry of Agricultural Machine Building (7.5 percent) and the Ministry of Machine Building for Road Construction (6.8 percent).

Analysis shows that the machine-building ministries for various reasons are not fulfilling plans for the removal of machine tools from the stock of metal-cutting tools.

During the period of 1981-1984 machine-building industries wrote off for scrap 8.3 percent of the average annual stock of metal-cutting machine tools. The greatest quantity of machine tools were written off for scrap by the following ministries: the Ministry of Machine Building for Road Construction (15.3 percent), the Ministry of the Machine Tool and Tool-Building Industry (12.0 percent), the Ministry of Machine Building for Light and the Food Industry (10.7 percent), the Ministry of Instrument Making, Automation Equipment and Control Systems (9.3 percent) and the Ministry of Agricultural Machine Building (9.1 percent). In the rest of the branches from 5.9 to 8.0 percent of the machine tools were written off for scrap.

The largest quantity of machine tools 20 years of age and older are found in the following groups: lotting (44.5 percent), planing (33.7 percent), broaching (31.9 percent), rough grinding and fine polishing (28.1 percent), fret work cutting (22.7 percent), sharpening (22.0 percent), grilling (21.7 percent), lathe (20.9 percent), boring (20.8 percent) and automated and semi-automated milling machines (20.6 percent) of the overall quantity of machine tools of the corresponding groups.

This quantity of the aforementioned groups of machine tools that are 20 years of age and older can be explained by their technological necessity and, as a result, by the amount of time they are in operation and their low level of loading.

The age of machine tools of the planing group is influenced by the existence of a large number of heavy and unique machine tools.

It should be noted that the smallest quantity of machine tools 20 years of age and older are found among the most productive automated and semi-automated lathes (11.6 percent). Machine tools of this age comprise 18.3 percent of the polishing machines which is 2.1 percent less than the average indicator for machine building.

In order to increase the effectiveness in the distribution and utilization of the stock of metal-cutting equipment in machine building it is necessary:

1. On the basis of development of assignments for the 12th Five-Year Plan to determine the necessary stock of equipment, its structure, its progressiveness, and the

level of automation on the basis of conditions for increasing production volumes and increasing the productivity of labor and equipment.

2. To create specialized capacities for centralized production of spare parts, nonstandard equipment, and means of technological fitting and repair of equipment.

3. To create specialized productions for the manufacture of parts, components, sets of parts and blank pieces for branch purposes.

4. To conduct an inventory of the active part of fixed production capital and determine the list and quantity of machines required for updating the stock, the list and quantity of surplus or obsolete equipment subject to be written off or transferred in the national economy, the list and quantity of equipment subject to modernization, and the optimal level of demand for progressive new equipment.

5. To evaluate the degree to which existing technological processes correspond to advanced scientific and technical achievements, keeping in mind the introduction of: precision castings obtained by progressive metal-saving methods of plastic deformation; precision castings in the overall volume of the output of cast metal; progressive materials and designs for cutting instruments in order to intensify cutting conditions, and so forth.

6. To develop a long-range program for technical re-equipment of each production association (enterprise), envisioning in it: the disclosure and transfer to the national economy of unutilized metal-processing equipment and the writing off of obsolete, worn-out equipment that is not suitable for further operation; renewal of the active part of fixed production capital in keeping with the assignments set by the Basic Directions for the Economic and Social Development of the USSR During 1986-1990 and the Period Up to the Year 2000 and increasing these to no less than 10-12 percent annually; the implementation of measures for revising the technical part of plans for technical re-equipment of associations (enterprises) in order to increase the proportion of progressive equipment to no less than 60-70 percent; an increase in the coefficient of shift work of metal-cutting equipment to 1.6-1.8 by 1990 including equipment with numerical program control, to 1.9 and flexible production modules and systems to 2-2.5; the certification of work places and the disclosure and transfer to the national economy or writing off of unutilized metal processing equipment; the development of a system of measures for strengthening material responsibility for providing for prompt startup of equipment and production of warehouse residuals; the introduction of annual planning by associations (enterprises) of modernization of equipment with a substantiation of the technical and economic indicators of its effectiveness.

7. The peaks that arise in the demand for individual groups of equipment should be augmented through: the development of our own machine-tool building for the production of specialized equipment; partial respecialization of associations and enterprises for the output of individual kinds of equipment; the development of production cooperation with CEMA countries; greater flexibility and cooperation in the creation of the production of equipment within machine-building ministries; planned loading and control over the utilization of unique equipment regardless of departmental jurisdiction.

8. To increase the responsibility of the capital holders for the product list and the quantity of equipment that is ordered with mandatory coordination of the increase in volumes of production, the coefficient of loading and shift work of the equipment.

9. To develop proposals for justified replacement of equipment 20 years of age and older, that is, to analyze data from the branches concerning the products list, module analogues, percentage of wear and tear, losses of precision and productivity, initial and residual value, and also for organizing production taking into account analogues that are produced and relative indicators of productivity, precision and cost of equipment that is produced.

10. To develop a system for automated ordering, distribution and control of orders for equipment taking into account priority replacement or modernization of obsolete or worn-out equipment.

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"Mekhanizatsiya i avtomatizatsiya proizvodstva", 1988

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CIVIL AVIATION

Mi-6A Makes Forced Landing

18290078a Moscow IZVESTIYA in Russian 18 Jan 88
p 4

[Report by V. Belikov under the rubric "In Accordance with the Laws of Courage": "A Helicopter Dives into the Taiga"; first paragraph is introductory]

[Text] A cargo helicopter had an accident and fell onto the Tyumen taiga. The airmen did not lose their self-control and acted calmly and efficiently in the critical seconds, and they were unharmed... How did this happen?

After staying overnight with geologists and oil prospectors at the Russkinskaya base, the crew of the Mi-6A set about its customary work at dawn—carrying passengers and cargoes to the surrounding drilling sites. They departed on the morning's third flight with a load that was far from unusual. The helicopter was to carry a large supply of food—a huge wooden container weighing 3 tons, filled with provisions for a remote expeditionary party—suspended externally. A thick cable was lowered outside from the winch through a round hatch in the cabin floor.

It was a routine mission for the experienced crew commanded by Yu. Yegorov. The turbines were started, and the helicopter weighing over 30 tons began its ascent, carrying along the well-built container of provisions. From their flight altitude—about 150 meters above the ground at a speed of 80 to 90 kilometers per hour, which could not be exceeded because of the suspended load—the tops of the snow-covered pines and spruce stretching toward the overcast sky were clearly distinguishable.

They were 12 minutes into the flight when a sharp metallic grinding sound broke through the roar of the turbines. The strange sound came from somewhere above, from the "roof" of the cabin, where the 3-ton primary gearbox—a system of gear wheels which rotate the main and auxiliary rotors—is positioned under a housing. Warning indicators flashed in the center of the pilots' instrument panel, but the airmen knew even without that: an extremely rare and irreparable breakdown had occurred. The gearbox was destroyed, and fragments of it prevented the rotor from gathering momentum and shifting to the emergency autorotation mode.

Subsequent events took place rapidly, but by instantaneously anticipating them, the entire crew functioned even more quickly as one person. The airmen's considerable experience and the fact that they had worked together in this capacity for about 3 years had an effect. The recording of the conversations kept in the "black box" and the readings of the on-board control systems

which were interpreted later made it possible to establish what had taken place each second in the Mi-6A cabin. There were 21 of these seconds before ground impact.

The voices on the tape are steady and calm, exactly as if they were sitting in a simulator, not in a metal cocoon which is falling sideways and just about to slam into thick tree trunks. Making use of the flyability remaining, the commander reduced the forward speed by some miracle and skillfully leveled off the aircraft, putting it in a landing attitude. The navigator managed to get out of his seat in the glass-enclosed nose cone—the most dangerous place during a forced landing.

A button was pressed to release an electromechanical lock, and the awkward container was dropped. Immediately after, a bit more slowly, as if parachuting with the rotor barely rotating, the Mi-6A fell into the trees. They were not able to reach a nearby marsh, but Yuri Yegorov looked out for the only break among the trees just the same, and was able to guide the helicopter there. Literally in the final moments they cut off the fuel lines and all the electricity—there should be no fire after the impact.

The slowly rotating blades cut off the tops of several spruces and small pines before the aircraft crashed into the slightly springy moss-covered ground. The fallen tree trunks had pierced the helicopter's small auxiliary wing-lets like spears. But no one in the cabin was injured.

The smashed container of provisions was lying 3 meters away from the helicopter. In 2 hours an emergency rescue team arrived in an Mi-8 and took out everyone on board, leaving the helicopter in the taiga.

For several weeks, the USSR Gosavianadzor [Flight Safety of Civil Aviation Commission] reviewed all the circumstances of the Mi-6A accident and the actions of each of the airmen. It concluded that the cause of the gearbox destruction was the fault of the maintenance enterprise, and recommendations were made to prevent such incidents in the future.

One of the commission's conclusions was to ask the Aeroflot administration to provide encouragement for the airmen. By order of the minister of civil aviation, the crew of the Surgut Aviation Enterprise was cited for its self-control, high professional skill, and efficient performance in an emergency situation.

8936

Minister Replies to Criticism

18290078b Moscow PRAVDA in Russian 12 Feb 88 p 2

[Response to PRAVDA readers' letters by USSR Minister of Civil Aviation A. Volkov under the rubric "A Minister Responds to PRAVDA": "A 'Deaf Defense' Is Out of the Question"]

[Text] "The Price of Truth"—this was the title of a discussion published in PRAVDA which touched upon urgent problems in civil aviation's work. A considerable

number of responses came to the editorial staff. A summary of the letters was sent to the USSR Ministry of Civil Aviation, and the minister has responded to it.

I want to express my gratitude to PRAVDA for its understanding of the conditions under which the collective of the Ministry of Civil Aviation is working. We are looking closely at the critical statements made about us in the press and we are taking specific steps to change the situation for the better.

Any kind of "deaf defense" is out of the question. Aeroflot is part of the country's national economy and its transportation system. The sector cannot help but be affected by the stagnation of recent years. It has resulted in distinctive disproportions and contradictions related primarily to the increasing demand for air transport and the sector's limited opportunities, which are practically unchanged. It is operating with an obsolescent fleet of airplanes and helicopters under drastic fuel limitations.

There are also serious shortcomings in the utilization of civil aviation and its interaction with other forms of transportation, taking the features and requirements of different regions in the country into account. Here and there local interests take the upper hand over sectorial interests, with attempts to acquire a few more aircraft at any cost, although this is not always justified economically.

All this does not mean that we have learned to take advantage of those real opportunities which Aeroflot now has at its disposal, however. And the criticism addressed to us in this connection is absolutely correct, timely and necessary. I think that thanks to it we are becoming a truly "open ministry."

We can say with confidence that a more favorable moral-political and psychological atmosphere is taking shape in civil aviation at this time. Persons are working intensively, they are proud of their vocation, and they are coping with reverses profoundly and seriously. In spite of the difficulties, Aeroflot is fulfilling the state plans each year. Glasnost and democracy are being affirmed in the aviation enterprises. Restructuring of the thinking and practical actions of command and management personnel is proceeding, but with a certain amount of inhibition.

To be sure, there are still areas of trouble and a great deal has to be fixed in the new mechanism, in personnel policy, and in the structural changes in the administration, organization and management of aviation production. We are closely studying each honest step in this direction, each truly businesslike suggestion, no matter where it originated, and we are supporting and making use of it in our work.

I mention this only because against the background of healthy and constructive criticism, which is well-disposed on the whole, we see that certain speakers at

different meetings and conferences, and occasionally the authors of articles, are thinking more about how to make it more painful for their offenders and settle accounts with them, skillfully masking these thoughts in scientific and wordy packages.

Aeroflot is a special form of transportation, and the modern aircraft is a concentrated cluster of society's scientific and technical progress. At the dawn of its development, the fathers of Russian aviation warned about the pernicious effect of disrespect for adherence to the laws of flying. Nothing is minor in aviation; everything is important and everything must be adhered to precisely.

In my opinion, the opinion of a person who has flown for over 30 years, organizing flights and being responsible for their safety, we cannot allow revision of the laws and documents which regulate flying, the crew manuals and handbooks, under the guise of criticism. They have all been written literally in blood.

We, the aviation commanders, have instilled respect for these documents in flying personnel and have demanded absolute adherence to them. Criticism has been allowed only in discussing the drafts of these documents. After they are approved, they are the law for every airman. Free interpretation of the provisions of these manuals, which has been assumed lately in certain newspapers, especially in the sectorial paper VOZDUSHNYY TRANSPORT, is very dangerous.

As far as aircraft accidents are concerned, this is a subject for special discussion. I will note only that in each case the specialists investigating an accident find the principal, direct cause and its attendant cause. Then those at fault are identified objectively.

We support such a procedure, and it is our sacred duty not to deviate from it. Investigations should and will be conducted with the most competent specialists.

Now, about evaluating the actions of the individuals mentioned in the article. Are we really rejecting teamwork by persons? The ministry is always ready to receive them, to listen to their opinion, to convince them of their erroneous position or to enlist their support. Is the ministry really opposed to fuel economy? The point is at what price and by what methods. We cannot be carried away by the word "economy" and neglect Aeroflot's most important objective—flight safety.

With regard to the organization of Tu-154 climbouts at cruising speed, I will say that they are unjustly depicting us in this in the role of the ones who are defending ourselves. A group of specialists has been formed which has been charged with working out the procedures for climbouts at cruising speed when there is strict adherence to safety and handling measures and retention of established flight routes and altitudes.

Steps are also being taken to improve monitoring of cockpit crews' adherence to the preflight rest and nourishment routine. We always will be strict with pilots about observing discipline, and there can be no relaxation of exactingness here.

The collective of the Ministry of Civil Aviation sees its basic objective as more fully meeting the needs of the people and the national economy for timely and high-quality air service.

8936

Sakhalin to Kamchatka Service Opens

18290078c Moscow PRAVDA in Russian 23 Jan 88 p 6

[Report by PRAVDA correspondent V. Ryabchikov]

[Text] Yuzhno-Sakhalinsk, 22 [Jan]—An An-24 aircraft flown by the crew of Pilot First Class Valentin Cheber-yak has made the first scheduled passenger flight from the Yuzhno-Sakhalinsk airport to Kamchatka. This marks the beginning of a continuous direct air link between the two Far East oblasts.

In order to get to Kamchatka before, Sakhalin residents had to take quite a detour, flying to Khabarovsk and transferring there. The time required for the flight has been shortened considerably. The flight to Petropavlovsk-Kamchatskiy takes 5 hours and 20 minutes, taking into account the stopover of nearly an hour at the Okha Airport. The cost of a ticket has been reduced by 12 rubles at the same time.

8936

MOTOR VEHICLES, HIGHWAYS

Shortage of Motor Fuels Investigated

18290077a Minsk SOVETSKAYA BELORUSSIYA in Russian 19 Dec 87 p 3

[Report on proceedings of Belorussian SSR Committee of People's Control: "The Fruits of Irresponsibility"]

[Text] On the instructions of the Belorussian Communist Party Central Committee, the BSSR KNK [Committee of People's Control] has studied the state of affairs in the provision of fuel to the republic's enterprises, organizations, kolkhozes and sovkhozes. Twenty rayons in Minsk, Brest, Grodno and Mogilev Oblasts have been checked.

It was established that a critical fuel delivery situation had been created in a number of places over the first 10 days of December. Up to 100 and more vehicles were standing in lines at filling stations. They were given only 10 to 20 liters of fuel each, and certain stations were not providing any at all. Less than a day's supply of gasoline was left on 10 December at the Brest, Baranovich,

Pinsk, Grodno, Lida, Shonim, Mogilev, Bobruysk, Krichchev, Borisov, Vileyka and Smolevichi tank farms. This had an adverse effect on the transportation of various national economic goods. The sale of finished industrial and agricultural products in fulfillment of the plan for the current year was threatened with disruption.

Who was to blame for this? First of all, the managers of the BSSR Goskomnefteprodukt [State Committee for the Supply of Petroleum Products], particularly its chairman, Comrade Surmach, and the deputy chairman, Comrade Zarenok. They allow irresponsibility and inefficiency in the performance of their official duties and they have reduced the demands made of their subordinates. It is not surprising that the management of the tank farms does not even have reliable information at its disposal on the supply of fuels and lubricants. Their release to consumers is often held up without justification for this reason. For example, the Lyakhovich filling station had 25 tons of gasoline on hand (enough for a 5-day period). However, only specialized vehicles (ambulances, fire engines, and others) were refueled here from 2 to 5 December. The Kleisk AZS [filling station] had more than 13 tons of surplus diesel fuel, but it did not issue any at all on 5 and 6 December. A great deal of equipment remained idle because of this.

The BSSR Goskomnefteprodukt has developed and introduced an automated system for keeping stock of the available fuel and controlling it. But the data being acquired are unreliable and cannot be utilized in practical business. Thus, according to ASU [automated control system] data, 450 tons of gasoline and 356 tons of diesel fuel were received at the Gorodeya filling station over 10 days in December, whereas they actually received 1,145 and 379 tons, respectively.

Where is this confusion in record-keeping leading? Over the period mentioned alone, 3,312 tons of diesel fuel were shipped unnecessarily to 20 tank farms from the Mozyr and Novopolotsk refineries, but nine tank farms received 3,606 tons less than what had been planned. Fourteen tank farms were undersupplied by 4,500 tons of gasoline, but the others received 5,200 tons more than they were assigned. The (Yushkov) gasoline tank farm received 3.7 times above the standard amount, and the Tolochin, Khoyniki, Volkovysk, Rechitsa, and (Krulevshchiznenski) tank farms received 3.4, 2.8, 2.2, 1.7 and 1.7 times above the standard amounts, respectively. But the Brest, Rogachev, Gorodeya, and Buda-Koshelevo tank farms received less than 50 percent less than what was required. Meanwhile, the responsible officials at the BSSR Goskomnefteprodukt were able to avoid this.

Managers in a number of sectors are not conducting themselves in the best possible way. Instead of economizing fuel resources and releasing them by utilizing compressed and liquefied natural gas, they seek to obtain excessive deliveries of fuel from Goskomnefteprodukt subunits. The BSSR Ministry of Motor Transport

received 14,200 tons of gasoline and 11,500 tons of diesel fuel more than the amount allocated over 11 months in the current year. The BSSR Gosagroprom [State Agroindustrial Association] received 4,300 tons of gasoline and 68,900 tons of diesel fuel and the Belkoopsoyuz [BSSR Union of Consumers Societies] acquired 1,400 tons of gasoline in excess of the amounts allocated.

A large quantity of diesel fuel is being burned in kolkhoz and sovkhoz furnaces. Why is such wastefulness being permitted? The fact is that certain consumers do not have sufficient funds for fuel and are not persistent enough in acquiring them in good time. And later they rush to higher organs. It is no coincidence that the BSSR Goskomnefteprodukt received 155 notifications on changes in allocations for gasoline and 126 for diesel fuel in the current year. This leads to an increase in annual allocations. This year they rose by nearly 152,000 tons for gasoline and 278,000 tons for diesel fuel. This increase has not always been supported in time by the apportionment of additional resources.

An unsound style of work such as this results in a large number of telephone calls, requests, and all kinds of messages and disorganizes the Goskomnefteprodukt staff's activity to a large extent. The chairman, Comrade Surmach, and his deputy, Comrade Zarenok, have been under the thumb of consumers, they have not brought the problem of reinforcing plan discipline to the attention of the appropriate organs, and they have resigned themselves essentially to negative occurrences. And after taking notice of them, their subordinates have not displayed participability for the position held will be referred to the Belorussian Communist Party Central Committee and the BSSR Council of Ministers.

The deputy chairman of the BSSR Goskomnefteprodukt, V. P. Zarenok, was given a severe reprimand for demonstrating inability to administer and organize the supply of petroleum products to consumers, which led to their limited sale in a number of the republic's rayons, and for the low level of supervision of subunits within his jurisdiction. Comrades Surmach's. Efficient dispatching communication has not been organized among all subunits in the system, which impedes their work.

The results of the inquiry were examined at a meeting of the BSSR Committee of People's Control. The irresponsibility and inefficiency in providing the republic's national economy with motor vehicle fuel was pointed out to the chairman of the Goskomnefteprodukt, V. V. Surmach. He was warned that if he does not put things in proper order, the question of his unsuitability for the position held will be referred to the Belorussian Communist Party Central Committee and the BSSR Council of Ministers.

The deputy chairman of the BSSR Goskomnefteprodukt, V. P. Zarenok, was given a severe reprimand for demonstrating inability to administer and organize the supply of petroleum products to consumers, which led to

their limited sale in a number of the republic's rayons, and for the low level of supervision of subunits within his jurisdiction. Comrades Surmach and Zarenok were charged with informing the organization's employees about steps to organize continuous provision of fuels and lubricants for consumers, and a people's control group (N. I. Romashko, chairman) was charged with monitoring elimination of the shortcomings brought to light.

8936

New Gas-Diesel Engine

18290077b Moscow GUDOK in Russian 12 Jan 88 p 4

[Report from Yaroslavl by V. Kurapin: "A Diesel Operating with Gas"]

[Text] A gas diesel. A strange word, you will agree. How can a motor vehicle engine be called a diesel if it operates with gas? But it turns out that there is nothing strange about this.

"A new product with the YaMZ [Yaroslavl Motor Plant] brand has already been sent to the motor vehicle manufacturers," explains V. Iosipchuk, chief of the plant's design bureau. "Three such engines are now undergoing acceptance tests in the BelavtoMAZ [Minsk Motor Vehicle Plant] Association. And we have already put the first experimental industrial batch of these power plants on our test benches."

Diesel fuel and compressed natural gas, it turns out, are completely adaptable for "peaceful" coexistence, for work as one team. More accurately—in one cylinder.

And this is very beneficial economically. Because using natural gas as a combustible product in a diesel engine makes it possible to reduce liquid fuel consumption significantly. YaMZ designers and specialists of the Central Scientific Research Institute of Motor Vehicles and Automotive Engines (NAMI) have found it feasible to shift powerful vehicle engines to the gas-diesel process. The essence of the innovation is that a gas and air mixture is fed to the diesel cylinders with the aid of a blender, a metering device, and an engine adjustment system. In the process, an absolute minimum of diesel fuel is injected, and for that reason only to ignite the gas.

They took the YaMZ-236 and YaMZ-238 series engines as a basis. Shifting them to combustion with a gas-air mixture made it possible to reduce diesel fuel consumption by 75 to 80 percent and engine fumes by a factor of 2.5 to 3. At the same time, the tractive power of the engines was appreciably higher than conventional diesels.

"Calculations show that each heavy truck equipped with our gas-diesel will save up to 15 tons of diesel fuel annually," V. Iosipchuk continues. "The fact that the

new engine is more convenient to operate is also important. It will be operating on methane where there is a chance to refuel with gas. And when the gas is gone and it is a long way to a refueling point, use the diesel fuel, by all means."

Economists have estimated that the world consumes as much liquid fuel in one day as nature is able to produce with solar energy in a thousand years. It follows that we must keep down our appetites for oil and its products. How? Even with natural gas, the stocks of which are plentiful.

This problem is also being resolved by the Yaroslavl engine builders. They are continuing to refine the design of a number of components in the new engine and to improve the assembly. However, the plant's collective has to equip several hundred new MAZ and KRAZ [Kremenchug Motor Vehicle Plant] vehicles with the gas-diesel engines in 1988.

8936

First 'Kama-1111' Off Assembly Line

18290077c Moscow TRUD in Russian 5 Jan 88 p 1

[Report from city of Brezhnev by TRUD stringer correspondent V. Zhigulskiy: "The 'Kama' Comes Off the Assembly Line"]

[Text] The first week of the new year was marked in the KamAZ [Kama Motor Vehicle Plant] Production Association by the appearance of a new product—the very small "Kama-1111" passenger car. Test driver Yuriy Rybakov, who drove the long-awaited low-powered series vehicle off the assembly line, notified us of this with a joyful toot of the horn.

These miniature cars look like toys. A great deal has been said about their advantages; I will mention one feature unsurpassed thus far by domestic vehicle manufacturers: the "Kama" will require just 4 liters of fuel to travel 100 kilometers. And parking will be no problem for it on narrow streets, either.

The assembly line which should turn out the first hundred low-powered cars in January, according to the plan, was installed by the combined brigade led by V. Yemel'yanov, an experienced KamAZ worker. The assemblers, fitters and electricians transferred the line, as they say, into the hands of Raisa Mavzyutova's collective, which was "sent over" here from the main assembly line. Indeed, the brigade's regular schedule is excessive now: designers, manufacturing engineers, and even state acceptance representatives, who decided to learn "all about" the process of manufacturing the new vehicle model, are working side by side of their own accord.

The line is not moving too fast at present. When you read these lines, only the 10th vehicle may be coming off it. This is not surprising, because equipment is being

adjusted. Moreover, associated enterprises, especially those which turn out industrial rubber products, are providing plastic components. The car has more than 1,000 components, and even without the minor items, you will not put them all together, at first glance. Evidently the geography for a cooperative arrangement was not thought out: all the critical small items have to be brought in literally from the other end of the world, although a major proportion of the components could be manufactured by enterprises of the Minneftekhprom [Ministry of the Petroleum Refining and Petrochemical Industry] located in the republic, in the neighborhood, in fact.

Do not be confused by the "Kama-1111" trademark—vehicles assembled at the KamAZ will be called that; those turned out in Tolyatti will bear the name "VAZ-1111," and those produced in Serpukhov will be called the "Oka."

This year will be memorable for the KamAZ not only because of the first series assembly of the "Kama." By the 71st anniversary of the Great October Revolution, the one-millionth heavy truck will be built here—it will be a basically new two-axled "KamAZ" with a more comfortable cab for the driver. Modernized gas-diesel dump trucks and truck tractors and vehicles modified for operation in the North will be coming out on the country's highways. As far as their younger sister is concerned, 20,000 "Kamas" will be turned out annually by the end of the five-year plan.

8936

PORTS, TRANSSHIPMENT CENTERS

New Estonian Port Detailed

18290074a Moscow TRANSPORTNOYE
STROITELSTVO in Russian No 1, Jan 88 pp 25-27

[Article by N. I. Burin, chief engineer of Baltmorgidrostroy: "The Birth of a New Port on the Baltic"]

[Text] The date 19 December 1986 has gone down in the history of the Soviet Baltic area as the beginning of the work biography of one of the largest new construction projects of the 12th Five-Year Plan, the Novotallin Commercial Maritime Project.

The new port of Tallinn is located in Muuga Bay, 20 kilometers northeast of the city.

As part of the first section two startup complexes were introduced: the grain (with a capacity of 5 million tons of cargo a year) and the refrigeration (500,000 tons a year).

They include grain elevators (capacity 300,000 tons for storage at the same time), about 2 kilometers of docks (including for mooring ocean vessels with a deadweight of 100,000 tons), 22 kilometers of railroads within the port, electric switching, more than 40 shore structures

for servicing the port: (a base for the port directors, an administrative complex, a garage, and intershop and water lines), 40,000 square meters of roads and squares within the port, dozens of kilometers of external and internal engineering networks, communications networks, heat and electric power lines. A large amount of work has been done for laying railroad sidings and highways.

A well-arranged residential area has been built 5 kilometers away from the port for the operations staff.

The plan for the maritime part of the port was developed by the Order of the Labor Red Banner Institute Lenmorniproekt.

Usually the building of a port on an open coastline begins with the construction of wall structures which protect the docks and other structures. As a rule, the cost and duration of construction of the wall structures are decisive in evaluating the technical and economic indicators of the variants of the creation of the port. The need to provide for the functioning of the port in the shortest possible time made it necessary to revise the traditional solutions and begin work with the construction of the docks and coastal structures.

In a short period of time research was conducted and about 3 kilometers of shore reinforcement structures were planned and constructed along with the docks for the production base and the mineral construction cargoes, the grain pier and the docks adjacent to it. The overall length of the docks is more than 2 kilometers.

In planning the greatest difficulty was presented by the selection of industrial elements that could not only take the operational load but would also provide for rapid construction under the conditions of the effects of the waves. The territory of the port also had to be created out of the water area of the bay whose natural bottom was composed of weak silted-over soil and covered from above with a thin layer of fine sand.

On the basis of research and calculations it was recommended that the port be created on artificially filled territory with a fill of about 5 million cubic meters of fine sand that is dredged up during the work of deepening the bottom in the region of the port's future water area. In order to improve the quality of sand they used a new method of fractioning through washing it in the holds of suction dredges and removing the small clay fractions. This method made it possible to reduce the time period for construction and to save 4 million rubles.

No less important was the question of selecting and justifying the designs of the deep water docks. Because of the considerable thickness of the layer of silt, in justifying the decision it was necessary to consider variants of various designs of embankments, particularly replacing the silt with high-quality sand.

Among the variants that were considered the most competitive were the design of a supporting reinforced concrete trestle with and without the replacement of the silt; an embankment with a cellular design made of flat seat piling; an embankment made of large blocks and steel coverings with a large diameter.

The most economical and feasible was the design in the form of a bulwark-embankment without replacing the weak ground in the foundation. The anchored bulwark was made of sheet piling of the VI-32 type and the reinforced concrete trestle—of three rows of prestressed piling-shells with a diameter of 1.6 meters with a space between the supports of 4 meters along the front of the dock and 10.5 meters perpendicular to it.

The upper structure of the dock was made of prefabricated beams and panels.

In those places where it was impossible to carry out the vibratory pile driving of the casings using floating equipment the plan stipulated their replacement with prismatic sectional piles in the form of clusters (one of the four deepwater docks). In these cases the pile work was carried out "dry" by shore cranes and pile drivers under the protection of a temporary rock dam that prevented the washing away of the cleared territory.

The shallow water docks of the industrial base for mineral construction cargoes were constructed under the protection of a cutoff wall at the northwestern pier, which also provides for safety of the industrial fleet when it is taking refuge from storms.

The root part of the mole and cutoff wall are planned in the form of a rock dam placed on the muddy bottom by the pioneer method with protection from the seaward side by a large rock and tetrapods. In order to evaluate the reliability and work ability of all the structures under construction, a large amount of experimental and research work was conducted in which the Central Scientific Research Institute of Transport Construction, the State All-Union Road Scientific Research Institute, and the Scientific Research Institute of Foundations and Underground Structures participated.

The port was constructed by high-speed methods. When deepening the bottom we used powerful suction dredges with a productivity of up to 2,000 cubic meters per hour, and delivered the good soil to the shore to form the territory of the port and the port soil was shipped to the sea embankment. Mechanical dredges were used for hard clay soil.

The protective embankments and the root part of the mole were positioned by the pioneer method using KamAZ and Tatr dump trucks. They were also used for placing the upper layer of soil on the cleared territory so

as to accelerate the construction of the shore installations and the roads and communications networks within the port. The Komantsu bulldozers were used for leveling work.

When constructing the deepwater docks the piles were sunk with vibratory pile drivers. In order to fasten the vibratory pile drivers on the heads of the piles they used hydraulic pile caps, which made it possible to reduce the time for driving one pile by 3.5 hours.

It was important to master the method of driving the metal sheet piles in clusters using hydraulic pile caps, which contributed to increasing labor productivity by a factor of 3 and savings on labor expenditures of up to 4 man-days per 1 meter of sheet piling.

In order to reduce the time periods for the construction of dock installations mechanized fittings and adapters were developed which provide for high-speed driving of the piles and sheet piles and the installation of anchor rods—these include a mechanized stand for joining pieces of piling, stands for assembly and bundling of sheet piling, for insulation of the anchor rods, and all kinds of crosspieces and slings. The application of these means made it possible to reduce the labor-intensiveness of the work by 15 percent.

The experience in high-speed construction of the Novotallin seaport is worth of study and dissemination. Therefore at this project Glavmorrechestroy in conjunction with the USSR Gosstroy held an all-union school¹ which was attended by more than 100 specialists from 60 organizations in the country.

Students in the theoretical classes in the school heard papers and reports on questions of the specific features of the planning and technological solutions used in the construction of the new port, the engineering preparation for production, the organization of labor on the basis of the brigade contract, the main directions for reducing manual labor, and progressive methods of construction and installation work. At the construction sites participants in the school were familiarized with the advanced devices of labor and progressive technology of construction production.

More than 50 scientific, planning and construction organizations, eight union ministries, and many ministries of the Estonian SSR participated in the construction of the port. Materials and equipment for the construction came from almost all the republics of the country.

Public organizations of Tallin rendered a great deal of assistance in the construction. In order to coordinate the work of the organizations participating in the construction they created a city staff for the construction project headed by the secretary of the city committee of the Communist Party of Estonia, P. N. Panfilov. Interdepartmental problems were resolved by a government commission that included the deputy minister of the

maritime fleet L. P. Nedyak, transport construction, V. V. Alekseyev, railways, G. Kh. Savchenko, the chief of the transportation division of the USSR Gosplan, D. K. Zotov, and the deputy chairman of the Estonian SSR Council of Ministers P. K. Palu.

The interdepartmental commission met no less frequently than once a quarter. In the interim periods there was a working group made up of representatives of the client, the planning organizations and the general contractor. It was headed by the chief of the All-Union Association Morstroyzagranpostovka, V. V. Aristarkhov.

The maritime part of the port was constructed by the collective of the Order of the Labor Red Banner Trust Baltmorgidrostroy and its subcontracting organizations: Baltmorput and Balttekhsloot, SU-417, SMP- 675, SMP-804, Zapmormontazh, Dorremstroy, Estelektroselstroy, Santekhmontazh, Sevzapelektromontazh and others.

The railroad part of the port was constructed by the trusts Sevzaptransstroy and Mostostroy No 5 of the USSR Ministry of Transport Construction and also subdivisions of the Ministry of Construction, the Ministry of Power and Electrification and the Ministry of Communications of Estonia.

Thousands of workers and specialists in the difficult conditions of the open sea worked for days and nights providing examples of heroic labor. An example for all participants in construction was the labor of the Komsomol Youth Brigade of N. M. Vinogradov, the excavator operator A. I. Samsonov, the brigade of pile driver operators of I. P. Tereshko, the brigade of sanitary and technical engineers of Ye. M. Lysanov, the crane operator A. V. Vakher, the section chiefs A. S. Tselovalnikov and G. Ya. Matveyev, senior seaman of the "Ivan Vakhvalov" suction dredge N. V. Kuznetsov, and the head mechanic of the "Irbenskiy" suction dredge A. V. Kukresh.

The construction of the Novotallin port was declared to be an all-union shock Komsomol construction project. Hundreds of boys and girls, emissaries from all republics of our homeland, provided examples of a communist attitude toward labor. Student detachments from Tallin educational institutions worked well.

Finnish builders worked right along with them. The joint labor of representatives of the two neighboring states was a powerful means of bringing the peoples closer together and developing mutual interests in each other's success and, finally, in strengthening and consolidating peace on earth—the main condition for any kind of progress or creative work.

A great force in the construction was the businesslike cooperation established among all of its participants. Thus each year an agreement was concluded for creative cooperation between two order-winning collectives: the

trust of Baltmorgidrostroy and the Lenmorniiprojekt Institute. This was expressed concretely in the mutual assistance in conducting joint work for research and introduction of new elements and materials, expansion of the list of prefabricated elements, assimilation of new methods and devices in construction production, improvement of means of quality control in construction, and the organization of experimental and research work directly at the construction site. The largest joint work projects were: monitoring the craft resistance of the pilings during manufacture and driving, new types of piles, new types of piling caps made of reinforced concrete, high-speed methods of erecting structures made of laminated wood, piers made of piling and metal sheet piles driven in clusters.

The cooperation and mutual advantage were the basis for the relations of all participants in the construction.

Many organizations of Tallin rendered invaluable assistance to the construction, especially in the final stage.

For success in the planning and construction of the Novotallin maritime commercial port, by an order of the Presidium of the USSR Supreme Soviet of 6 August 1987, 70 participants in the construction were awarded orders and medals of the USSR. Among the winners were many workers of the Ministry of Transport Construction: the carpenter of SMP-675 M. V. Viktorov, the chief of SU-423 N. S. Balagura, the chief of the "Belomorskaya" suction dredge N. V. Ponomarev, and the brigade leader of SU-423, G. Ye. Ryzhenko.

Opening a meeting devoted to the opening of the port, the first secretary of the Central Committee of the Communist Party of Estonia, K. Vayno, said: "Perhaps there are not very many examples in world practice of such high rates of construction of large and technically complicated facilities. This is clear evidence of the implementation of the party course toward acceleration and technical progress."

The port has gone into operation. It will be important for transportation in Estonia and throughout the country and also for the development of economic ties between the Soviet Union and the Baltic countries, Europe as a whole, as well as other continents, and also for transit cargoes along the Eurasian transcontinental route.

From the Editors. The editorial board and the editorial staff of the magazine congratulate the author of the article—the head engineer of Baltmorgidrostroy, Nikolay Ivanovich Burin on being awarded the order "Friendship of Peoples" for the construction of the Novotallin maritime commercial port.

Footnote

1. TRANSPORTNOYE STROITELSTVO, 1985, No 2, p 46.

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12 May 1988